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# THE ROUND TABLE

A QUARTERLY REVIEW OF THE  
POLITICS OF THE BRITISH COMMONWEALTH

## CONTENTS

Labour at the Helm

Socialism and Unemployment

American Politics in Election Year

Should We Guarantee a European Settlement ?

Ireland As It Is

United Kingdom :

*Current Events—The Labour Party and Agriculture*

India :

*The New Legislatures*

Canada :

*Current Politics—The St. Lawrence Deep Waterway—  
Prohibition To-day*

Australia :

*The New State Movement—Australian Finance—Austra-  
lian Opinion on the British Labour Government*

South Africa :

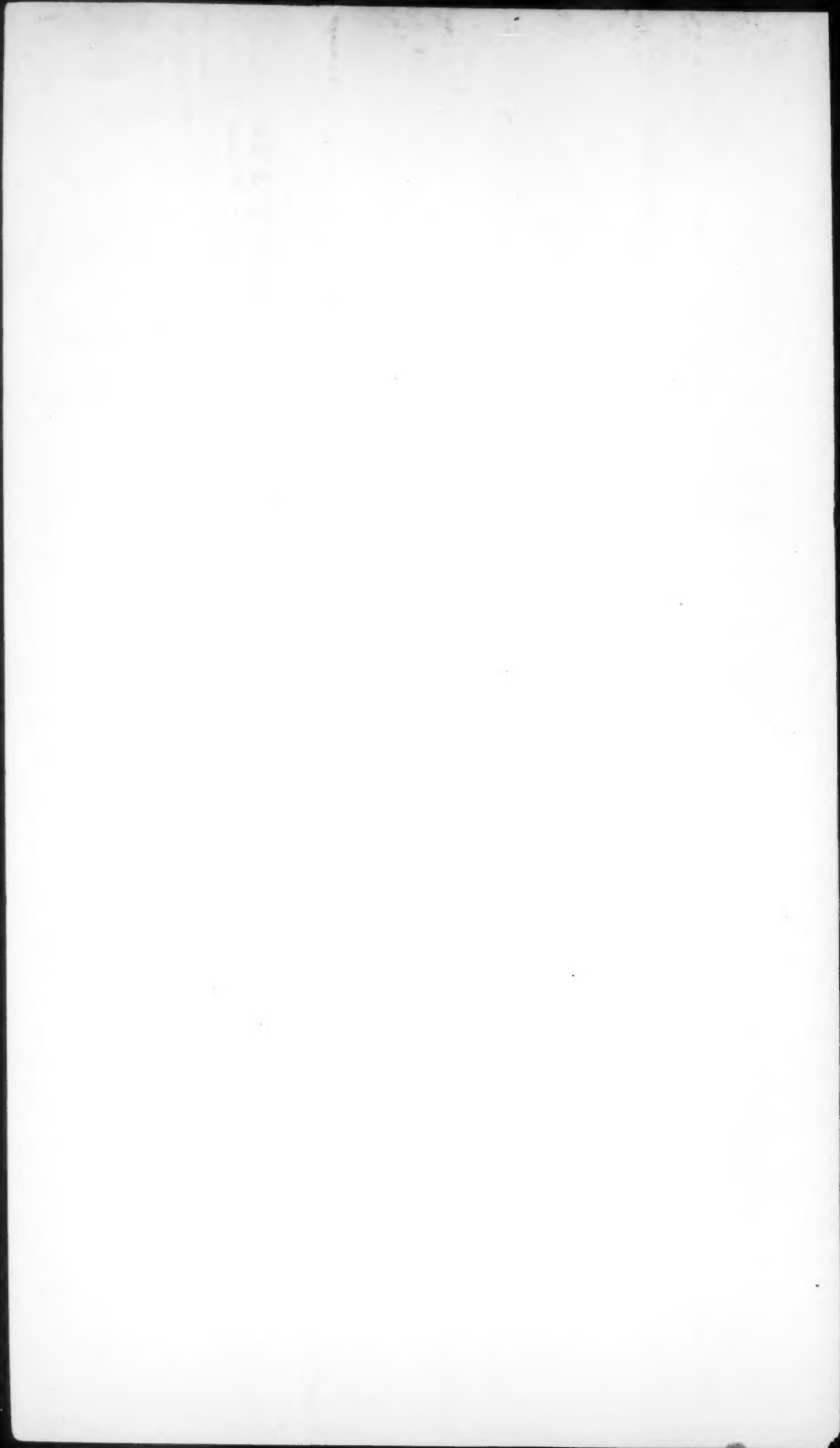
*The Dissolution—The Financial Position—Union and  
Provinces*

New Zealand :

*The Political Situation—The Economic Situation—Imperial  
Preference*

The Irish Boundary Question : Editor's Note

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## LABOUR AT THE HELM

THE Labour Government has now been in office for something more than three months. The period is too short for any final judgment either of the capacity or of the prospects of the present Administration, and the probable behaviour of Socialism in power, with a clear majority, is still matter for conjecture. But in spite of these obvious limitations there has been time for definite impressions to be formed of the personnel, the policy and the tactics of the Government. It has had to meet the test of Parliamentary criticism and to conduct business in the House in a minority; to take decisions and to declare its policy on important Imperial questions, such as Defence and India; to indicate its intentions in regard to domestic questions such as rents, housing and unemployment; to introduce its first Budget; to deal with a series of difficult and threatening industrial disputes. In these matters the Government has revealed the contrast between its strength and its weakness, its sincerity and its insincerity, its sense of responsibility and its pre-occupation with party tactics, its ideals and its poverty of ideas. In foreign affairs, in particular the vital problem of European settlement, circumstances have permitted and indeed prescribed comparative inactivity, and the Government have been able to live with real if inconclusive credit on the atmosphere of formal general friendliness which the Prime Minister has created.

It is the object of this article to record the tendencies

## Labour at the Helm

which Labour has exhibited during its first few months in office, to estimate the degree of its achievement and to indicate the nature of the problems, more especially in the field of foreign affairs, that it will have to face in the immediate future. The many questions which it will be necessary to review fall broadly into the three categories of Home, Imperial and Foreign Affairs, and this division will be followed. No account of these matters would be complete or even readily intelligible without frequent reference to the peculiar position of political parties in Great Britain. When no party can hold office except in a minority, it is inevitable that policy should be influenced at every turn by considerations of party tactics, and that tendency is likely to be accentuated when the Government is in office for the first time and is led by so skilful a political tactician as Mr. Ramsay MacDonald.

### I. EMPIRE AND DOMESTIC POLICY

WHEN Mr. Asquith in December was defending his decision to vote for the Labour amendment to the Address, he said that if the experiment of a Labour Government was to be tried, it could hardly take place in conditions which contained less risk of revolutionary consequences. Experience has justified this confidence in the sense that the extreme features peculiar to the Labour programme, such as the capital levy and nationalisation, have receded into the background. The unregenerate, full-blooded Socialists in the party have responded, if at times reluctantly, yet on the whole loyally, to the exhortations of their leaders and have confined their native wildness for the most part to the constituencies. There they expound their convictions in terms such as those used by Mr. Maxton in Glasgow on May 4: "Politics was no game; it was a very definite, bitter class war, which could not be fought with kid gloves, because the common people

## Empire and Domestic Policy

were not to be raised until the wealthy and powerful were pulled down." As for the Government, neither the Prime Minister nor many of his colleagues are in any real sense revolutionaries or could reasonably have been suspected of underestimating the responsibilities of office. So all prophecies that the heavens would fall if Labour came in have so far been falsified. Indeed, the prophets overlooked not merely the obvious limitations referred to by Mr. Asquith of minority government, but also the possibility, which the Liberals themselves had not fully appreciated, that Labour might set its course with an eye to the electoral position. The minority, far from being lulled by the opiate of office into a careless indifference to its earlier ambitions, has shown an acute preoccupation with the question how it is to become a majority. Labour can attain independence if it wins over about half of the total Liberal vote in the country, and in no other way. It has not been restrained from making the attempt by any desire to co-operate cordially with Liberals in the present Parliament in the promotion of progressive causes.

The last few months have confirmed the impression that Mr. Ramsay MacDonald was the outstanding figure in his party, and for that reason it is impossible to ignore the significance of the extremely skilful and assiduous campaign which he has conducted on the platform, in after-dinner speeches and through the Press to prove that his Government is in the true succession. As he told the Independent Labour party in their annual conference at York, "the great thing they had to do was to impress on public opinion in this country as well as throughout the world that the Labour Government was not only a practicable thing, but that it was a good thing." With this object even the name of Socialist might well be allowed to be forgotten, "because after all there is a sort of bookish association about Socialism." Let the party be called Labour, "and then you have a heart and spirit that in some sort of mystical way associates yourself with the

## Labour at the Helm

great simple godlike heart of the common people, with all its failures yet with all its divine potentialities and possibilities." With all the arts of eloquence the Prime Minister expounds the new idealism in politics. It is the spirit that matters, "work, faith, patience, honesty, facing of facts." He does not solicit, he takes for granted, wide outside support—"I am perfectly certain of this, that the great sentiment of Liberalism in the country must look upon our work with expectation and gratitude."

In the pursuit of the new supporter, the impressionable citizen breathing humanity and good-will, the old stalwarts must not be overlooked. Occasionally, as in the interview which appeared in the *New Leader* on April 11 and 18, Mr. MacDonald himself returns, for the benefit of the Socialist democracy, to the tones which it prefers. When asked for his view of the epidemic of industrial disputes, the Prime Minister expressed the opinion that "after the cruel way that wages have been reduced by a dominant profiteering class recklessly using its power, these troubles were inevitable." He also referred to the defeat of the Government on the Evictions Bill. In that measure the Minister of Health had supplemented two non-contentious clauses by a provision which would have enabled an unemployed tenant to live free of rent and rates without limit of time at the expense of his landlord. They were defeated in the end mainly as the result of an unfortunate speech by the Prime Minister himself. To the interviewer Mr. MacDonald complained of "the meaningless, factious attitude" of the other parties and of "pettifogging humbug," and hoped "that the friends of Labour were watching very carefully recent actions in the House of Commons and would see that the truth about Monday's discreditable performance is told."

But if there are two sides to the propaganda even of the Prime Minister, the voice of reason and moderation has on the whole prevailed in the actions and pronouncements of his Government; and it would be unfair to conclude

## Empire and Domestic Policy

that because there are sound electoral motives for orthodoxy the present Ministry is influenced by no other considerations. Opinion as to its views on Imperial questions is likely to turn mainly on the decisions as to Singapore and the Preference resolutions, but it will be unfortunate if other factors are left out of account. The provision for the Defence services remains practically at the level of last year's expenditure. The Air Force programme for Home Defence is unaltered. Five new cruisers and a number of destroyers are being put in hand, in spite of opposition both from Liberals and from the left wing of the Labour party. In its relations with India, and in particular in its attitude to the Swarajist demand for a round table conference, the Government has shown no sign of weakness. The Prime Minister, indeed, made it plain in an admirable message to India when he took office that "no party in Great Britain would be cowed by threats of force or policies designed to bring the government to a standstill." As regards the Dominions, the Government are taking steps to implement the resolutions of the Imperial Economic Conference other than those relating to the proposed Preferences.

It may be said that Singapore and the preferential duties are the only questions of Defence and economics in which the Dominions are at the moment keenly interested. We dealt at some length with the Preference resolution in the last number of *THE ROUND TABLE*,\* and we still hope that when the matter comes before Parliament on a free vote that part at least of the offer made to the Dominions by the last British Government may be ratified, which relates to the increase of existing Preferences. We recognise that there are serious difficulties in expecting a Government mainly representative of the working classes, or indeed any Government coming into office after such an unmistakable verdict as that of last December, to impose new duties on the food of the poor at a time of acute trade

\* *THE ROUND TABLE*, No. 54, March 1924, p. 233.

## Labour at the Helm

depression. For that reason we have already expressed the view that the moral and constitutional obligation inherited by the Labour Government from its predecessors would have been met by an honest attempt, in consultation with the Dominions, to devise some alternative form of preferential treatment. So far as is known, no such attempt has been made, and the real case against the Government is not that duties here on canned salmon or dried fruits would mean the difference to the Dominions between prosperity and stagnation, but that after months of irritating delay it has nothing to offer except a cold negative. A more scrupulous regard to Dominion sentiment need not be inconsistent with moral gestures to humanity at large.

The question of Singapore in many ways presents greater difficulties. It affects the whole orientation of Imperial foreign policy, since no British Government could for long pursue one policy in the Pacific and another elsewhere. It concerns a sphere, Defence, in which the people of Great Britain are to an increasing extent conscious that they bear already an immense financial burden. There is no unanimity of opinion even amongst experts as to the need for and the value of a modern base in the Pacific. Different views are held by the Dominions, and even in the two Dominions primarily concerned, Australia and New Zealand, there is a considerable minority opposed to the project. In this country the two parties which now constitute a majority of the House of Commons, and since November 1922 have represented a majority of the electorate, have expressed their vehement dissent from the proposal since it was first mooted. In spite of criticisms, no estimate has ever been published of the ultimate cost of the base with the land force which would be needed to defend it.

In his powerful defence of the Government's decision, the Prime Minister made it clear that the construction of the base would be no breach even of the spirit of the Wash-

## Empire and Domestic Policy

ington Agreement. He founded his case on the argument that the world now had a breathing space of a few years in which to try and find some other way of maintaining peace than by preparing for war. If those efforts failed, the policy represented by Singapore would be revived. We believe that the people of Great Britain are prepared to look to new methods with hope rather than with confidence. They have no desire to leave either the Australasian Dominions or their own trade routes at the mercy of an enemy's fleet, but they are not convinced that the potential menace in the Pacific is in any sense comparable to that of 1906 in the North Sea, or that the risk of postponement for two or three years is too serious to be reasonably incurred. In view of the existence of this feeling, there is likely to be a strong demand in this country, whatever may be the developments in the next few months of the internal political situation, that the Prime Minister's policy should have a fair trial. The problems created for the Australasian Dominions by the Singapore decision are admittedly difficult, and it would, in our view, be disastrous if those Dominions, in a moment of anxiety and disappointment, concluded that they were thrown back on the resuscitation of local schemes or of a sectional policy in Defence. If the aim of seeking peace by agreement is to be pursued, it is essential that the Dominions should assert to the full their right to a voice in the application of that policy. After active cooperation on those lines, their position would be unassailable if the MacDonald policy should break down, and they would be able at the first clear indication of failure to reopen the whole question of defensive measures through the Imperial Conference. It is, perhaps, desirable to add that the political effect in the Pacific of the conditional postponement of the Singapore scheme is not yet apparent.

In domestic affairs, as in the larger concerns of the Empire, the new Government has shown little inclination to follow an extreme or wrecking policy. In certain directions it



## Labour at the Helm

has gone further, by legislative proposals or administrative action, than either of the other parties on its own initiative would have been likely to advance. There is to be a small increase in the rates of unemployment benefit and an extension of the maximum period during which the benefit can be paid in any one year. Within the framework of existing legislation, more liberal provision and wider facilities for educational progress are being arranged. The Chancellor of the Exchequer has given a guarded and conditional promise to bring in proposals this year if possible for widows' pensions. But in regard to all these points, even the last, the ground has been carefully chosen, and no considerable section of the House is likely to show active opposition even to measures which it would have preferred for financial reasons to see postponed. Social Reform is now in every party programme. The Government has, it is true, made one or two brief excursions into the danger zone, and others appear to be contemplated. The Evictions Bill already mentioned was a glaring example, and the proposals in regard to agricultural wages, to which fuller reference is made elsewhere in this number, approach the region of undiluted Socialism. The Minister of Health, Mr. Wheatley, whose Parliamentary talents have won the reluctant admiration even of the majority which dislikes his opinions, has not yet announced the details of his housing policy. But if it is founded, as seems probable, on the proposals which he has elicited from the building trades, lively opposition may be anticipated. For many reasons, and for none more cogent than for its electoral dangers, all parties are anxious to find a solution of the housing problem. But if the State is to be committed to an expensive guarantee of prosperity to the building industry for a long period, it is entitled to insist on conditions which will secure that restrictions on output are removed and that less fortunate industries are protected from the disturbing injustice of a perpetuation of present wages inequalities.



## Empire and Domestic Policy

The housing policy which is ultimately adopted will have an important influence on future Budgets, and it is a fair criticism of Mr. Snowden's first budgetary proposals, which are set out in greater detail elsewhere, that they contain no obviously adequate provision to cover this and other expensive items of the immediate Labour programme. As the inheritor from a series of conservative predecessors of a surplus of £48,000,000, Mr. Snowden was in a position to make substantial remissions of taxation, direct or indirect, and from the point of view both of equity and of political sagacity he has exercised that right with eminent success. Whether he has had an equal regard to the position in a year's time is much more doubtful, and the possibility that a heavy deficit then may be met by a resort to some of the more predatory features of Socialist finance may on reflection suggest to the taxpayer a modification of his present transports. Indeed it has been suggested that what appears to be a rather reckless prodigality is the far-sighted and deliberate policy of a Chancellor who is concerned to find means not for avoiding a capital levy but for making it inevitable. In the eloquent expression of orthodox Gladstonian principles on the importance of maintaining the national credit and the necessity of debt redemption, the Chancellor's speech enhanced both his own reputation and that of the Government. Uncompromising adherence to Free Trade doctrine has ensured Liberal support and has probably for the time being effectively suppressed the growing Liberal revolt against the Labour policy of contemptuous hostility. To have killed so many birds with one speech is, at its lowest, a remarkable political achievement.

Apart from finance, doubts as to the course which Labour might pursue centred mainly in domestic matters round its industrial policy. There has been little, on the whole, to justify any special anxiety. Where strikes have taken place, the Government has done what it could to promote a settlement, and in the case of the London traffic workers it showed an adequate sense of its responsibility

## Labour at the Helm

in the event of a complete interruption of an essential public service. There can be little doubt that the existence of a Labour Government has hastened the general movement, which originated in an improved economic position, to secure higher wages rates. But it is probably also true that the desire not to embarrass that Government has reinforced the comparative poverty of the trade unions as an influence making for settlement. Labour has this advantage in dealing with these disputes that it is familiar with the personalities and the technical case of the workers to a degree in which the older parties can rarely claim a knowledge of the employers' side. Although the natural tendency of a Labour Government in these circumstances will be to seek a compromise as favourable to the workers as possible, it is far from being true that a Conservative or Liberal Administration, from its position of greater theoretical detachment, will necessarily arrive at a solution more nearly consonant either with abstract justice or practical expediency. There can have been few strike settlements concluded directly under the intervention of a Government which have had a more far-reaching detrimental effect on industrial conditions than that made by Mr. Lloyd George at the time of the railway strike in 1919. Of the disputes or potential disputes of the last few months that in the mining industry appeared to be the most dangerous, and the course which it has taken not unfairly illustrates the above remarks. The Government's efforts have been directed chiefly to securing an industrial rather than a political settlement of the wages demand, and while a decision has not yet been reached it seems probable that they will be successful. Even if it be admitted that the Government had no other motive than that of party tactics for desiring to avoid legislation, it must be recognised that the miners have up to the present shown sufficient appreciation of the Government's position to suppress the policy of a legal minimum wage, which has extensive and active support in their own ranks.

## Empire and Domestic Policy

To sum up these scattered impressions, Labour in office under the limitations of minority government has shown itself anxious above all to demonstrate its fitness to govern, its full sense of responsibility, its essential moderation. This natural ambition has been indulged to the point where every action has to be interpreted in terms of political strategy. While there have been indiscretions and while proposals have been made which on a long view are questionable, the principal characteristic of this Administration has been neither grave blunders nor striking successes, but a certain failure of constructive imagination. That defect is evident in the cold formalism of the Labour attitude towards Imperial Preference. It appears again in the decision to repeal the McKenna duties at three months' notice—a decision which, whether it is to be interpreted as a bait to the Liberal party or a declaration of Free Trade convictions, can hardly fail to increase, temporarily at least, the volume of unemployment. It is possible to recognise the dangers and the unjust anomalies set up by a Protectionist outpost in a Free Trade system, and yet to be convinced that the only expedient and, if we may use the word, the only humane course would have been to abolish the duties by stages. The lack of constructive ideas in regard to unemployment is less open to comment, since there is by now general agreement as to the perplexing character of the problem. But the validity of that defence of the Government's inability, in Mr. Shaw's phrase, "to produce rabbits out of a hat," is likely to be contested so long as Labour claims a monopoly not merely of the solution but of the decent human attributes of sympathy and goodwill, or continues to seek support on the ground that its policy is in no sense revolutionary, instead of adhering to its original contention that the only remedy is Socialism.

## Labour at the Helm

### II. THE EUROPEAN PROBLEM

THE Prime Minister has not concealed his opinion that the principal tasks of the Labour Government lie in the field of foreign policy. He looks first to the settlement of Europe, and after that to an extension of agreements which will make further reduction of armaments feasible. For this preoccupation with foreign affairs there are many good reasons. The subject has always had a special interest for Mr. MacDonald himself. He has been a great traveller and a prominent figure on the international side of the Labour movement, and it is natural that a knowledge of personalities and problems in Europe acquired over a lifetime should now direct his thoughts mainly into the sphere of foreign affairs. Personal inclination is doubtless reinforced by other considerations. It has become a commonplace that there can be no adequate remedy for the most serious of our domestic problems, unemployment, until peace is restored to Europe and the world. It is obvious, too, that the successful negotiation of outstanding foreign questions such as reparations would immensely enhance the prestige and improve the electoral prospects of the Labour party.

Whatever may be the limitations on freedom of action imposed in domestic matters by government through a minority, they scarcely apply at the present time to the conduct of foreign affairs. There is substantial agreement amongst all parties as to the proper objects of British policy, and it is unlikely that any difference in methods will give rise to obstructive or captious criticism. Labour, it is true, claims that in this as in everything else a new epoch dates from its entry into office. Even Mr. MacDonald falls a victim to the exaggeration. "That [a new world war]," he tells the *New Leader*, "was the condition of things which was being created up till when we took

## The European Problem

office—perhaps not always created consciously, but created as a matter of evolutionary inevitability.” In fact the new methods and the new régime have not yet been seriously tested. The Prime Minister has utilized an interval between the acts to cultivate more cordial relations with his fellow players. But that is all. We can all subscribe to the view that “a new spirit in Governments” is what is required; we can agree that the vision of a chain of democracies encircling the world and maintaining peace by the sheer power of their will to friendship is a noble ideal. But it is idle to shut our eyes to the fact that the more Governments change the more they seem to be the same, or to forget that the world at the moment is witnessing not a universal extension of democracy, but a marked tendency to react against it. The Prime Minister himself, indeed, is not unmindful of the real obstacles to his policy, and he has already confessed that the process of introducing reason and confidence into international relations is “terribly slow.”

Possibly this admission has been suggested by the course of the Russian negotiations. Recognition was a simple matter. It was a step to which the Labour party was deeply committed, and there is, on the face of it, much to be said for the view that no conference between Governments is likely to lead anywhere as long as one of the parties is ostentatiously treated as an outlaw. But recognition in itself has settled nothing, and it is the discussions that are now taking place in London which will determine whether normal political and commercial intercourse between the British Empire and the new Russia is practicable or not. Those discussions will clearly be protracted, but in that respect there is little distinction between Soviet Russia and the régime which it preceded. It is not this that destroys confidence in the negotiations, but the absence of any sign that the Russian Government recognizes the elementary conditions which must be met before financial help for Russia can be obtained. The statement of those

## Labour at the Helm

conditions published by representatives of all the leading financial interests in the City of London has been rejected unequivocally by M. Rakovsky, the head of the present delegation. A chorus of embittered diatribes against the Labour Government and Mr. MacDonald has been led from Moscow by Trotzky and Zinovieff with such vehemence that it is not unreasonable to infer that the Russians regard the conference primarily as a useful opportunity for propaganda. After all this a tolerable agreement with Russia would indeed be an unexpected success for Mr. MacDonald.

Of more importance is the settlement with Germany. In the reports of the Dawes and McKenna Committees, Europe is offered the chance of a fresh start. For the first time the problem of reparations has been exhaustively considered by a representative body of business men whose impartiality can not be called in question. While Germany was not directly represented on either Committee, the views of the German Government and of German financial authorities were heard at length, and it is probably true to say that neither report could have appeared in its present form if it had not been for the information and assistance given by Germany. In these conditions the publication of conclusions come to unanimously by representatives of the United States, Great Britain, France, Italy and Belgium clearly introduces a new and vital factor into the controversy; and the Reparations Commission recognized the importance of the occasion by announcing without delay its acceptance of the reports, and more particularly of the elaborate scheme prepared by the Dawes Committee. It will be convenient to give here a brief summary of the conclusions and proposals contained in the two reports.

In the first place the enquiry has established certain broad and fundamental principles which must be taken into account if any progress is to be made. They are principles which are not unfamiliar to readers of THE

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## The European Problem

ROUND TABLE. The first is that the resumption and continuance of reparation payments presuppose a stable currency and a balanced budget in Germany. There must be a breathing space which will allow of the rehabilitation to that extent of German public finance. The second is that neither a stable currency nor a balanced Budget can be maintained for any length of time unless the financial and economic unity of the Reich is restored. In other words, the methods which have been employed in the Ruhr and the Rhineland—interference in industry and in public services, the railway régime, the arbitrary erection of customs barriers—can in the long run only destroy the prospect of reparations receipts. The third principle, in the words of the Dawes Committee, is “that it is hopeless to build any constructive scheme unless this finds its own guarantee in the fact that it is to the interest of all the parties to carry it out in good faith.” To begin at the other end, with the assumption that Germany’s “bad faith” is incurable, is only another way of saying that the problem of obtaining reparations is insoluble. The fourth principle (we quote the McKenna Committee, which estimates German capital abroad to be about £350,000,000, or one-fourth of the amount at the outbreak of war in 1914) is that “the only way to prevent the exodus of capital from Germany and to encourage its return is to eradicate the cause of the outward movement. Inflation must be permanently stopped.”

With these principles in mind the Dawes Committee first proposes the establishment of a new Central Bank of Issue, which will be free of Government control and will issue notes on a basis stable in relation to gold. The Bank will have a monopoly of the right of issue for 50 years and its capital will be £20 million. The President and Managing Board will be German, but there will also be a General Board, of which half the members, including a Commissioner, will be foreign, drawn from Allied and Neutral countries. The statutes are so drafted that

## Labour at the Helm

cooperation by members of both the German and the foreign groups on the Bank directorate is necessary for action. The Committee then proceed, on the assumption that there will be a stable currency, to examine in detail the German budgetary position for each of the next five years. They seek to determine what sum Germany can provide in her own currency in each of those years, either by taxation or in other ways, to meet her external Treaty obligations. The underlying principle of their calculations is that the German people and German industries ought to meet a new debt charge, in place of the internal Government debt, and the loan charge on industry, both of which have been wiped out by inflation; and that this new debt must impose a burden on the German taxpayer and German industry commensurate with the burden borne by the taxpayers and the industries of Allied countries. Over and above this, provision is made, by means of a composite index of prosperity, for the creditors of Germany to share in any unforeseen improvement in the German financial and economic position.

It is proposed that the German railways, as an important potential source of revenue, should pass from direct State ownership into the control of a company in which the German Government owns all the common stock. Their capital value is estimated at 26 milliards of gold marks, and the annual profit before the war, after liberal contributions for maintenance, was 1 milliard, of which one half was required to meet debt charges now eliminated by the currency depreciation. The Committee therefore propose that the new railway company should issue to the Reparations Commission first mortgage bonds for 13 milliards, carrying interest at 5 per cent. and a 1 per cent. sinking fund. The present transport tax, which is equivalent to about 6 per cent. of the gross railway receipts, will continue and will be assigned for reparations purposes. On the general industries of Germany, it is proposed that a first mortgage debenture of 5 milliards should be raised, with

## The European Problem

interest and sinking fund at the same rates as for the railway bonds. The normal sources of reparation payments would then be taxation, interest on railway bonds, the transport tax and the interest on industrial debentures. For the next five years the total payments required (and the Committee are careful to point out that their estimates include under one total all forms of reparation payments, whether cash or kind, costs of the armies of occupation, clearing house debts or any other miscellaneous item) are as follows :—

	Millions of gold marks				Millions of gold marks		
1924-25	..	..	1,000	1927-28	..	..	1,750
1925-26	..	..	1,220	1928-29 (the normal year)	2,500		
1926-27	..	..	1,200				

Up to this point the Committee have been dealing entirely with payments in gold marks to the agent in Germany of the Reparations Commission; in other words, they have been assessing in its widest sense the taxable capacity of Germany in its own currency. It depends on the balance of German trade whether these sums in gold marks can be converted into francs or sterling without destroying the exchange value of the mark. The prospects of the exchange operation are at present incalculable, and for that reason the Committee decided not to fall into the error committed by so many of their predecessors of fixing the annual payment due from Germany on too high a level, nor yet to proceed to the opposite extreme of fixing an amount too low to satisfy the claims of justice. Instead they provided in the form of an inter-Allied transfer committee, with its seat in Berlin, machinery for adjusting the conversion of mark receipts to the possibilities of the exchange position at any moment. If, through inability to convert without danger to the currency, as much as 5 milliards has accumulated in gold marks, the mark payments due from the Budget in the subsequent period will be correspondingly reduced. This is the most novel feature of the scheme;

## Labour at the Helm

it is also, perhaps, the one which must raise the most doubt as to its possible effects.

As collateral security for the payments to be made by Germany, the Committee propose that the revenues from customs duties and the taxes on alcohol, tobacco, beer and sugar should pass to an impartial authority, and that only the balance after meeting the reparations charge should be paid to the German Government for its own purposes. Finally, the scheme is based on the raising of a foreign loan by Germany for the equivalent of £40,000,000 in the present year. That sum is required to constitute the gold reserve behind the new note issue, that is, to ensure currency stability, but it will also be available for financing expenditure in Germany during the year on reparations account—for example, deliveries in kind or the costs of the armies of occupation.

It is obvious that any scheme so complicated and far-reaching as that which we have just outlined is open to criticism in detail. Yet little has been heard of adverse comment, for the reason that the Committee had the courage and the honesty to draw a clear distinction between what can be known with reasonable certainty now and what can only be determined by practical demonstration or trial and error. It is the proposals falling in the latter category which are most exposed to criticism, and yet at the same time least vulnerable. The Committee claim for them only that they are worth a trial in the absence of any reliable alternative. On many doubtful points the scheme includes its own correctives. It is explicitly put forward as an indivisible whole, and the Committee wisely take no responsibility for the results of adopting certain recommendations and rejecting others, or of undue delay in putting the plan into execution, or of attempts to avoid the complete restoration of Germany's economic sovereignty.

If we pass on to consider what are the prospects of the early adoption of the Dawes plan, we have to examine not

## The European Problem

merely the known views of the Governments concerned and the state of public opinion behind them, but the significance of those aspects of the reparations problem which are not covered by the Committee's recommendations. There is indeed far less likelihood of Allied differences on the positive proposals of the report than on the questions which the Committee rightly decided to be outside their terms of reference. What are those questions? In the first place no attempt was made to fix the total of the German reparations debt, or rather to revise or even to express any opinion on the total of 132 milliards of gold marks fixed in 1921 by the Reparations Commission. A normal annual payment in gold marks is indicated, as we have seen; also the possibility of an increased payment in the event of unforeseen prosperity, or a reduced payment if that is necessary to maintain the German exchange at or near par. But there is nothing to show for how many years these payments are to continue, and until the maximum demand on Germany is determined it is difficult to see how the German people can know the extent of the burden they are asked to assume or the Allied nations what on the most favourable hypothesis they are to receive. At the moment it is not even clear that increased payments by reason of the operation of the index of German prosperity will hasten the amortisation of the debt. We should wish to emphasise that we are in no sense criticising the Committee, and indeed we recognise that they were wise in their decision to leave this question alone. We are concerned only to point out that the Allied Governments will have to grasp this particular nettle in the negotiations arising out of the report.

The total of the German debt is bound up with other financial arrangements as between the Allies. How are receipts from Germany to be divided? Are the percentages fixed at Spa to be adhered to? What is to be done with the revenues received, or perhaps we should say with the expenditure incurred, by France and Belgium in the course

## Labour at the Helm

of those operations in the Ruhr and the Rhineland which Great Britain has always maintained to be contrary to the Treaty? More important still, there is the question of inter-Allied debts. To that France, and even more Italy, the principal debtor nations, attach great importance. Can it in practice be divorced from the other question of reparations? If not, what is to be the arrangement? Is there any hopeful line of approach to a settlement of inter-Allied debts unless the United States are an active party to the negotiations? Is there any reasonable prospect, in the year of a Presidential election, of fruitful American participation? We have no wish to appear to exaggerate the difficulties in the way of a settlement, but it would be foolish to overlook them.

Finally, there are the problems of a political rather than a financial nature. The Dawes Committee more than once in the clearest terms postulates the financial and economic sovereignty of the German Government throughout the Reich. This implies a complete change in French methods in the Occupied Territories. What is to become of the military occupation of the Ruhr? If it continues, can it be expected to become and remain invisible, or as a purely military problem can the safety of the French force in the Ruhr be guaranteed without such control of its communications as would interfere with the proposed independent administration of the German railways? Even if those doubts could be swept away, could Great Britain assent to the continuance of an occupation not provided for by the Treaty, unless Germany voluntarily agreed to this invasion of her rights? Is any such agreement likely? On the other hand, can France be induced to withdraw her troops as well as her engineers from the Ruhr, and, if so, on what terms? There remains the thorny question of sanctions in the event of a future German default. The Committee provides for all possible financial and economic safeguards that their scheme will be carried out, but they rightly leave the decision as to

## The European Problem

political sanctions to the Allied Governments. If we assume that the Allies could agree on the nature of the measures to be taken if Germany defaulted—reoccupation of the Ruhr, an economic blockade, or whatever it might be—is it possible to define in advance what constitutes default in the carrying out of a scheme so intricate as that of the Committee, or to ensure that no punitive action shall be taken except by the Allies as a whole? Without such a definition and such an assurance, is the conception of sanctions consonant with the immediate raising of a large German loan in the international market; will the foreign investor lend his money to a country which is liable at any time in the future to a repetition of the experience of the last two years? On the other hand, is it safe or practicable to renounce in advance all idea of penalties for default, and even if it were, can French opinion be persuaded to make that sacrifice?

We have said enough to make it clear that the negotiations into which Mr. MacDonald is about to enter are full of pitfalls. The ground which has been partially cleared by the Experts' Report is still encumbered with the most formidable obstacles. His principal difficulty may well be that the other European Allies, France and Italy more especially, will endeavour as the price of a tolerable settlement to drive a financial bargain which, in the absence of more active cooperation by the United States than there seems any reason to hope for, the public opinion of this country would be in no mood to accept. At the time of writing, May 12, the attitude both of France and Germany can only be surmised. Both countries, as the result of their general elections, appear to be faced with a change of government. In Germany we have seen a swing to the Right less pronounced and decisive than had been feared, in France a reaction against M. Poincaré far more complete than the most enthusiastic prophets of radicalism here or in France had anticipated. It is still uncertain whether the German Nationalists will have any part in the new



## Labour at the Helm

government, or whether in office or in opposition they will be prepared to modify their declared policy to the extent of confirming Dr. Marx's acceptance of the Dawes scheme and providing the two-thirds majority necessary to give effect to the constitutional changes which it presupposes. In the interests of a settlement Nationalist adherence is extremely important, and indeed it is doubtful whether there can in the long run be any effective guarantee that Germany will loyally carry out the scheme, unless a party which represents, and probably permanently represents, so large and influential a section of the German people is committed to the support of it. If declarations made before the election are to be decisive, that support will be refused. But against any such rigidity there is the strong and growing pressure of business opinion throughout Germany. The precarious stability brought about by the Rentenmark may end in economic chaos at any moment. The delay and uncertainty of the last few weeks have already brought signs of a severe commercial crisis, and the vast majority of those who control German industry and finance are convinced that the acceptance and the working of the Dawes scheme offer the only remaining chance of a revival of German prosperity. The prospect that sane views will prevail in Germany over the confusion and the commitments of party politics is by no means hopeless.

In many ways the French situation is more obscure. That there has been a revolt against M. Poincaré is now obvious, but as yet there is no means of knowing whether that repudiation extends to his foreign policy or is brought about, in despite of his attitude to Germany, by those domestic conditions—financial pressure and high cost of living—which are not necessarily traced in the popular mind to their real causes in the sphere of foreign affairs. Certainly the leaders, such as M. Briand and M. Herriot, of what are now the majority parties have shown little eagerness during the election campaign to confront M. Poincaré on his own ground or with any vigour to attack



## The European Problem

his policy in the Ruhr and the Rhineland. That may have been due to their substantial agreement with that policy, or, what is more probable, to a prudent caution until the electors had voted and to the tactical choice, for the purpose of influencing those votes, of the more certainly vulnerable features of the Government's record. Time alone can show whether this election has brought to power leaders with the vision and the courage necessary to carry French opinion in the not inconsiderable concessions which will be required for a settlement. But however sincerely we may admire the strength of M. Poincaré's convictions and the courage with which he has fought for them, it is impossible not to feel that his defeat removes, even though it may only be temporarily, the most dangerous obstacle to a genuine European peace.

## SOCIALISM AND UNEMPLOYMENT

### I

**I**S Great Britain solving the economic problem by which she has been confronted since the war? In some ways, judging by such tests as a stable currency, a sound exchange, and a balanced budget, the answer might be, Yes. But judging by other tests, such as the figures for unemployment, or the capacity to sell her products in the competitive markets of a normal world, or a progressive rise in the general standard of living, the answer is almost certainly, No. Over a million workers are still unemployed, which means that about a tenth of the inhabitants of Great Britain are unable to earn a livelihood for themselves. Exports are still, in volume, only about 75 per cent. of the figures of 1913. Great numbers of her working people, especially in agriculture and the exporting trades, are still living below the real standards of 1913. Certainly from this point of view Britain's problem is not being solved.

Moreover, mere recovery is not enough. We need progress. We need it in two directions. We need greatly increased expenditure on "nation building" services, such as education, housing, town planning, and works of development of every sort and kind. We need, too, to see our way to a progressively rising standard of living for the immense mass of the working community. People are no longer content with the prospect of ending human life in the same limited circumstances as they began it. They demand, and rightly demand, that they should have the opportunity of leading a wider and an ampler life than

## Socialism and Unemployment

their forbears, with a material foundation which will assure them and their children, in return for honest labour, at least decent housing, plenty of clothing, and an income adequate to provide holidays, recreation, and to make possible the cultivation of the things of the mind and spirit. Yet this nation building and a higher standard of living are only possible if national prosperity not only returns to the level of 1913, but goes far beyond it.

It has been a common assumption since the slump of 1921 that British economic troubles have been due to the dislocation of European markets by the war. There is undoubtedly much truth in that view. The condition of Europe and of the exchanges was certainly enough to explain temporary bad times. But it is doubtful if it is enough to explain the economic state in which Great Britain finds herself nearly six years after the armistice was signed. Supposing an all round settlement, would the reopening of the Central European and Russian markets, coupled as it would be with the revival of German, Italian and American competition, diminish unemployment and bad times at home? Would it lower the burden of taxation, or provide the means whereby the "nation building" services would be financed? Would it enable us to absorb the 140,000 additional workers who come into the market seeking employment every year? Would it enable us to get rid of that margin of unemployment which afflicted us even before the war? If not, we are living in a fool's paradise.

Let us look at some instances. In an article appearing in the *Fortnightly Review* for April, Mr. Robert Crozier Long, who has long been resident in Berlin, points out that, excluding reparations charges, the German budget of to-day is only about £250,000,000\* per annum compared with a British budget of £785,000,000; that skilled wages in Germany are only 73·6 per cent. and unskilled wages

\* This also excludes other Peace Treaty liabilities.

## Socialism and Unemployment

88 per cent. of the wages of 1913; and that the hours of work have in many trades been raised from 8 to 10. The greater the reparation charge to be placed on Germany the more fiercely must she compete for foreign markets. Does the re-establishment of normal conditions in Europe, therefore, point to a greatly improved competitive position for Great Britain in the markets of the world?

Not only is Germany a competitor once more. Italy and the United States, to say nothing of reorganised France, Belgium and Japan, are newcomers in the field. The Fascist revolution, whatever we may think of its political aspects, has placed Italy once more upon the economic map. Whereas two years ago Italy was nearly bankrupt, unemployment was rife, food was scarce, to-day her budget is practically balanced, there is no unemployment, prosperity shines on the land, and Italian products are making headway all over the world. The United States, too, is entering the markets of the outside world. Despite the highest wages and short hours, American motor cars practically dominate the world market to-day. In all types they compete successfully with British cars in Great Britain herself. After paying freight, the difference in exchange, and a duty of 33 per cent. two American cars, the Ford and the Durant, undersell every British made car in the British market. And French, Italian, German and Belgian cars also compete successfully, despite the tariff. Great Britain sells practically no cars overseas except luxury cars. She is no longer a competitor in utility motor cars in the markets of the world.

Do these facts support the universal but blind expectation that a restoration of world peace will automatically mean a restoration of British prosperity? Or do they point to continued depression of British industry, and perhaps an increase in unemployment, as the full force of economic competition comes into play?

No one can predict the answer with confidence. But in any case, the point of view which waits on other nations to

## Socialism and Unemployment

give us prosperity is essentially unsound. We have it within our own power to save ourselves if we set about it in the right way. We have, in the Empire, all the resources we need ; we have the skill, the enterprise, the energy, the capital to give profitable employment to all, if we would use them properly. What then is it which hinders our recovery ?

### II

**B**EFORE considering the answer, let us consider exactly what is the economic process by which the community lives. So many fallacies arise from considering only one aspect of industry, the worker's side, or the capitalist's side, or the consumer's side, that it is essential to get clear about the process itself, for the most apparently complicated and international organisation in the world is simply the application on a larger scale of exactly the same laws which govern the simplest and the smallest business. Every community has to live by industry. It cannot live on politics, or oratory, or nationalisation, or doles, or resolutions. It cannot live, save for a very short while, on its capital. The total capital value of the property of Britain is only seven times the value of its annual production. In order to live it has to consume some seven-eighths of its annual output. Only an eighth is saved. A nation can only live by the fruits it can elicit from the soil and the commodities it can manufacture from the minerals and other products of the earth. The standard of its living is determined by its success in these operations and by nothing else.

What is the process by which it converts the treasures of the earth to its own use ? It is the combination of three fundamental elements, labour, direction, and capital. Sometimes these may be almost represented by one man, for instance, a lonely fisherman who lives by the boat and the fishing rod, and in the house and on the accumulations he has himself made. But normally the functions are

## Socialism and Unemployment

divided, from the simple division of labour between a settler and his family in a new and empty land, up to the many-sided activities of a modern industrial trust. In the case of the family, the land must be there, the health and energy of its members must be there, the knowledge of farming and the skill in organising the energies of every individual most effectively in the house and outside must be there, and the capital necessary, if not to buy the farm, at least to secure agricultural tools and the food and clothing necessary to support the family until the harvest is reaped, must also be there. In the case of the great company, raw material must be available, production, distribution and salesmanship must be always up to date and highly organised, and capital must be available from the savings of the community, or its own profits, to improve plant and experiment continuously with new and better processes.

It is just the same with the industry of a nation. By the same fundamental process as the individual, and this process alone, successfully executed, can a nation live. If the natural resources are ample, if labour is energetic, direction enterprising and intelligent, savings abundant, then the standard of living of the community will be high. If they are the reverse, if natural resources are poor, labour inefficient, direction unenterprising and slow moving, savings inadequate, then the standard of living will be low. There is no alternative way. That is the law.

There are, however, two other elements to be taken into account. On the one hand, no nation can produce all its own needs. Every nation, even the United States and France, the two most self-contained countries in the world, has to purchase from abroad certain raw materials, or certain food stuffs, or certain special products, which it does not or cannot produce for itself. It has to do so by buying them from other countries in exchange for such of its own products as are valuable to them. In the case of Great Britain this condition is exceptionally exaggerated. Because Great Britain is a small island containing some

## Socialism and Unemployment

43,000,000 people she is only able to produce about a third of the food and less than half the raw materials which she needs. In order to pay for these she has to export great quantities of manufactured articles or render services, such as shipping, and she has to do so in competition with the whole world. Great Britain, therefore, can only live by successful competition in the markets of the world. If Great Britain had within her own boundaries the land and varied resources with which to produce all that she needed, she could erect a sort of ring fence round herself, and the fluctuations of world conditions and world prices would not affect her very much. No doubt she can increase her own production of food and raw materials. But in the nature of things there must always be an enormous margin which she must import from outside. Great Britain, therefore, can only prosper, indeed, can only live, by making articles of such quality and utility, and at such a price, that the producers of food and raw materials abroad will prefer to exchange their products for British manufactures in preference to the manufactures of any other country, up to the amount of those products which Britain requires. Efficiency, therefore, is peculiarly necessary to Great Britain, efficiency in labour, efficiency in invention and direction and organisation, efficiency in saving the capital without which saleable products cannot be placed continuously upon the competitive markets of the world.

On the other hand, many nations are dependent on other nations for primary resources. They lack the land, or the minerals, or some materials necessary to the standard of living they aspire to maintain, and therefore have to rely upon being able to purchase what they need from abroad. In this respect Great Britain is favourably placed. In the overseas possessions which she administers she has the greatest estate in the world, and while she cannot for many reasons enclose it within a tariff wall for her own purposes, she can never be excluded from the products of its soil, and she has the primary control of the manner in which its



## Socialism and Unemployment

resources can be developed. If no other way is open to her, she can by developing those resources obtain from under the Union Jack all the food, all the minerals, all the tropical products which she needs, without interference by foreign imposed tariffs or obstructions.

What then is the cure for the economic ills of Great Britain to-day? How is she to produce the prosperity which will give all her people full employment at good wages, pay for her new plans of nation building, raise continuously the standard of living of the whole population, and distribute the burden of her taxation over such an expansion of wealth as will reduce the burden on each individual to reasonable proportions?

There is only one way, and that is for her people to produce commodities or render services of such quality, and at such a price that the outside world will take them in preference to those of other nations, up to the amount which will pay for the food and raw materials which she must import to maintain the standard of life desired by the British people themselves.

It makes no difference in the long run whether the industries of Great Britain find their chief markets in a restored Europe, or through the development of the still undeveloped estate of the British Commonwealth. Whether she has to sell ships, or clothing, or engineering products to the nations of Europe, or whether she invests great sums in the development of Africa or other backward territories so that new markets will appear for railway material or for those articles, such as blankets or bicycles, which the native population, beginning to earn good wages for the first time, is able to buy, the fundamental necessity is the same. The ships, the clothing, the engineering products, the railway material, the blankets or the bicycles, must be better and cheaper than those obtainable from elsewhere, up to the amount which will purchase the food, raw materials and so forth necessary to the standard of living which the British people desire.



## Socialism and Unemployment

Individuals or classes may have a preference for individualism or socialism, for private enterprise or nationalisation, for protection or free trade, but one and all of these panaceas will have to stand or fall by their success or failure in helping Britain to satisfy what the world demands in competition with other producers. We may deplore the necessity. We may wish we were living in another kind of world. But the central fact remains that nations, like individuals, can only live by the efficiency and success with which they serve the world's needs. That is the law. It is also the teaching of the Golden Rule.

### III

WHAT then is the matter with Great Britain that six years after the armistice she should see no early solution of her unemployment problem, still less any prospect of rapidly improving the standard of living of the people, or expanding her expenditure on education and national development? What is the matter is that the main dynamo of national wealth production is running inefficiently. Great Britain to-day is not producing the things which the world wants of a quality and at a price which it will take in a competitive market, and she is not increasing the markets in her own imperial estate by spending the capital necessary to develop it. That is all that is the matter. If Great Britain was producing the best and most useful and cheapest products in the world, in the lines in which she specialises, and was saving the capital necessary for development, her people would be fully employed at high and increasing wages. Mr. Henry Ford sells 2,000,000 cars a year and pays the highest wages in the world, because he makes a product which humanity cannot do without and at a price it can afford to pay. If Great Britain had enough Henry Fords and the gumption to use them properly her problem would be solved.

## Socialism and Unemployment

Why then is she not successful ? Obviously it is because her labour is not sufficiently efficient, because the enterprise of the directors of industry and their use of scientific developments are inadequate, and the use she makes of her savings is ill-directed. These defects are no doubt in large measure due to the weakness of human nature. But in the British case the natural frailties of human nature are not the main cause of her troubles, because they are common to all her competitors. The main cause is another and a more easily removed cause, industrial strife. British industry is not as successful as it ought to be, the main dynamo of national production, on which all hopes of betterment depend, is not functioning as it should, because the British people are not doing anything like what they are capable of, because of the state of war in industry itself.

There are, of course, many contributory causes to present day industrial strife. There are inefficient employers and bad workmen. There are price rings and trade union rings. There is profiteering and dishonest company promoting, extravagance on luxury and "ca' canny." There are antiquated methods and autocratic management. There are vested interests of every sort and kind. But none of these are the root difficulty to-day. What has principally been the matter is not friction arising from attempts to put right abuses in the industrial system, but war which springs from a widespread desire to destroy the present industrial system and to substitute something else in its place. In the last century the principal evils of industrialism arose from the dominance of the *laissez faire* doctrines of the Manchester school, which sought to justify child labour, inhumanly long hours, and appalling working conditions on the ground that only by giving full rein to unrestricted capitalism could the nation find food and employment at all. Gradually, thanks to the activities of philanthropists like Lord Shaftesbury, and to the long and heroic struggle to organise trade unions and to establish the right to collective bargaining, the

## Socialism and Unemployment

worst evils of the early industrial era have been abolished, and a better and more equitable distribution of the proceeds of industry between capital and labour has been achieved.

To-day, however, the principal evils of industrialism arise from the dominance of another body of doctrine—the dogmas of Socialism, especially in its Marxian form. What makes for national industrial inefficiency more than anything else to-day is the belief, vehemently held by large numbers of the younger trade union leaders, and recently officially adopted by the Trade Union Congress and the Labour party, that the individualist, or so called capitalist system, is in itself fundamentally wrong, that it is the cause of unemployment, low wages and industrial strife, and that the only way of improving the lot of the workers is its overthrow in favour of some form of socialised production, distribution and exchange. A great part of the energies of the leaders of labour to-day, therefore, are directed not towards making the industrial machinery of the nation function more efficiently, or finding a solution for its admitted defects, but to increasing the impediments to efficiency, in order to discredit it and thereby persuade the community that the individualist system is a failure and that they had better substitute some Socialist system in its place.

Now, if the Socialist vision is true, the sooner it can be brought about the better. For we shall never solve our problems under an individualist system which is constantly and deliberately prevented from working efficiently. But if the Socialist vision is a delusion, the sooner it is exposed the better, for then all classes can begin whole heartedly to think out how the evils of modern industrialism can be removed without attempting to smash up the system itself. Let us, therefore, examine whether or not Socialism will hold water as the solution of the industrial problems of our times.

## Socialism and Unemployment

### IV

FUNDAMENTALLY, the Socialist creed rests upon the idea that capitalism involves, by its very nature, the "exploitation" of the poor by the rich, of the wage-earner by the capitalist, of the proletariat by the bourgeois. Though the Socialist movement is divided into many different schools of thought, from those who believe in universal nationalisation, to the syndicalists and guild Socialists, they are united by one fundamental conviction, the conviction that under the existing system the mass of every community—the proletariat—are being exploited by those fortunate private individuals who own the land, and are therefore able to charge rent to their neighbours for the use of it, or who own capital in the shape of factories, or houses, or spare cash, and can therefore force the vast majority of their less fortunate fellows to come to them for employment, and to work, under their direction and on their terms, to produce yet more wealth for their employers. The root idea is described by Mr. Ramsay MacDonald in his analysis of Karl Marx's *Iron Law of Wages*, as follows.\*

Capital (he says) possesses itself of the surplus product, and so, relatively, the rich become more and more able to exploit, and labour less and less able to defend itself against exploitation.

It is impossible in this article to give any full account of the vast mass of argumentation and economic diagnosis, with which the Socialist theory is supported, from those who regard the capitalist as a kind of ogre bent on driving the worker down in the scale of living so that he may take more profits for himself, to those who sympathise with the capitalist no less than the worker, because both are

\* *Socialism, Critical and Constructive*, p. 51.

## Socialism and Unemployment

imprisoned in a false system which drives the one to tyranny and exaction and the other to slavery and poverty. Starting, however, from this conception of exploitation, every Socialist is driven to the conclusion that the individualist system is, in its very nature, essentially anti-social and immoral. Socialists believe the capitalist system inevitably produces large masses of poverty-stricken slum dwellers—wage slaves—at one end of the scale, and autocratic millionaires and idle rich who “live by owning” the means of production, distribution and exchange whereby the community lives, at the other. They believe that under the capitalist system there is an inherent and inescapable conflict of interest between capital and labour, employer and employed, for the division of the proceeds of industry—the class war—in which the worker is always getting the worst of the bargain. They believe that to the acquisitive profiteering competition of the individualist system are due trade cycles, unemployment, and the fierceness of commercial rivalry, which they regard in turn as the main cause of international suspicion and hatred, imperialism and war.

Such is the Socialists' view of the true nature of capitalism. Their view of the remedy is simple and clear. They propose as the obvious corrective that all productive enterprise should be socialised, or brought in some way under the control of the State, municipalities, or elected bodies of some kind, so that every economic activity should be conducted in the social interest and not for the profit of private owners of property. And they believe that when industry is so socialised unemployment will vanish, the present day glaring disparity between rich and poor, idle and overworked, will disappear; that such anomalies as, that there should be unemployment in a country at the same time as a shortage of the boots or clothes that the unemployed can produce, will cease to be; that every man or woman will have the opportunity and indeed the duty of working at an ample wage in producing what the com-

## Socialism and Unemployment

munity needs; and that class war will end, social equality and harmony will reign, and world peace will appear.

Few British Socialists think that this transformation can be achieved at a single stroke, or even rapidly. Taught perhaps by the lessons of the Russian revolution, they believe that the process must be accomplished step by step, beginning with such measures as the nationalisation of the railways and the mines. But the social management of the means of production, distribution and exchange is the goal at which every Socialist aims.

Now, if it is true that private enterprise, or capitalism, is in fact the cause of all the evils attributed to it by Socialists, it ought to be abolished at once, as being nothing but a system of monstrous slavery and extortion. But is it? And if Socialism, as a system, will abolish these evils and produce a higher, or indeed as high, a standard of living as capitalism, then it ought to be adopted at once. But will it? Those are the real questions, and on the true answer to them will the future of Socialism versus individualism depend.

Is the capitalist an exploiter? We have seen that the only condition upon which people can live in our modern highly developed civilisation is by making things which their neighbours are willing to exchange for the products of their own labour. There is no other way. Can labour by itself, or through trade unions, make these things without the introduction of the capitalist in the shape both of the employer or the owner of savings? Can the State or public authorities manufacture them as well and as cheaply as privately organised businesses? If labour cannot produce for the market by and for itself, then the employer, or the capitalist, is not an exploiter, but one who renders to labour an indispensable service without which it cannot live. If public bodies cannot manufacture for the markets of the world as efficiently as the private employer, then the private employer is, in his essential nature, a benefactor and not an

## Socialism and Unemployment

exploiter, and to substitute public ownership must end in lower wages and increasing unemployment.

There is really no doubt as to the answer to these questions, even among fair-minded Socialists themselves. Every sane person will admit that at present, while the co-operative movement has been a great success within its own sphere, the great mass of labour is still unable to organise itself successfully for production. Some day it may do so. But to-day apparently neither groups of workers, such as building guilds, nor trade unions seem able to produce with any efficiency except on a very small scale. Overwhelming experience also shows that, save in cases where monopoly conditions exist, State or municipal ownership is not as adaptable or as progressive or as efficient as private enterprise. That question was settled once for all in the war. Yet, if these facts are true, and to-day they are true, the fundamental Socialist case against capitalism and private enterprise falls to the ground. For the capitalist is the person who enables the community to do what it cannot do for itself, produce what the world needs in a form and at a price which will enable it to buy and sell in a competitive market. And as we have seen, unless the community can do that it will progressively languish and starve.

Under present-day conditions, therefore, to talk about the employer or the capitalist as exploiters is sheer nonsense. It is the result of a wrong interpretation of economic phenomena. Without them, labour would die, because it is not able by itself to make the motions necessary to produce a livelihood. When the Italian operatives seized the factories three years ago, within a short time they handed them back voluntarily to their owners, because they found that they could not work them with sufficient efficiency to enable them to sell their products. The truth is that both employer and financier are, in their essential nature, the worker's best friends. This is not to say that there are not many capitalists who are exploiters. This is not to say that there are not great defects in the present method of



## Socialism and Unemployment

utilising our natural assets and grave abuses in the working of the individualist system, which urgently need remedy. But it does mean that the capitalist, as such, is a person of enormous social importance, who is doing indispensable social work which nobody else seems able to do, and is therefore as worthy of public sympathy and approval, according to whether he does his work well and honestly or otherwise, as any other citizen of the community.

Contrary to Karl Marx, it is not labour which produces all value. It is labour so directed from hour to hour that it produces something that other people need at the moment when the product is available for sale, and at a price they are willing to pay. And if labour cannot do that direction for itself, it must submit itself to somebody else's direction and permit him to recoup himself for the service. Nobody will pay others just for digging a hole in the ground. Sheer effort is no title to reward. It must be rightly directed effort. The hole in the ground is valueless unless it is in a place and at a time and of a form which will make it the foundation for an office building for whose rooms there is a demand. Products which are "out of date" are simply unsaleable. Last year's fashions or models of motor-cars, or poor patterns of tools or machines, or inferior qualities of textile fabrics, simply cannot be sold except under cost prices.

It is the function of the employer to provide this indispensable direction to labour, and of the capitalist to provide the new capital without which constant improvement and new enterprise are impossible. The reward for this essential social service, and not "surplus value," is what they take as profits and interest. Indeed, the two functions of the greatest social value in the modern world are enterprise or capacity for direction, and saving to provide capital. Everybody can labour. Few people can organise and create. A majority do not regard saving as a social duty of every citizen. And it is because the value of their

## Socialism and Unemployment

services to the community is so high that employer and capitalist are able to command so great a reward.

The truth of this analysis can best be seen from a few practical instances. There is only one real way of curing the terrible distress of Glasgow or Poplar, and that is that its inhabitants should learn how to make something which other people will voluntarily buy. Why have not Mr. Wheatley or Mr. George Lansbury organised the necessary factories? They can buy the land or the buildings, they can borrow from the banks, in exactly the same way as an ordinary employer. The reason is because they have not the ability to discover something that the public wants and to make it efficiently, or the sagacity to hire somebody else who has the ability, and obey his orders. If they were able to do this they would solve the unemployment and the housing problem at a single stroke. Instead, they turn to and abuse as an exploiter the one kind of man who can cure unemployment, they create every kind of obstacle in his way and put every kind of burden on his back, and then demand that inefficient State Socialism should be compulsorily substituted for private enterprise.

It is exactly the same with the coal mines. The main trouble is not "profiteering." When it comes to a division of what there is to distribute, Labour's share in relation to capital's percentage is 85 per cent. or more. What is the matter is that poor-paying old pits are kept in operation instead of new and modern pits, capable of paying good wages, being brought into production and attracting labour with higher wages. Yet it has always been possible for the Miners' Federation, an organisation of immense wealth and credit, to buy good coal properties and develop them according to any ideas of social or workers' management they pleased, and to prove that they could conduct the industry better than the individual proprietors, and to apply the profits to extending their business. Why have they not done so, and preferred the disastrous expedient of a series of strikes? Because they have been obsessed by the false Marxian

## Socialism and Unemployment

economics into thinking that nationalisation would pay better, and because they have not had the ability or the capacity to do the creative work that the private capitalist is able to do. What England needs at the moment to solve its economic problems is not Socialism but more and better capitalists.

### V

NOW where has the Socialist diagnosis gone wrong ? It has gone wrong because it has considered the distribution of the rewards of industry, but has not studied how those rewards were gained. Above all, it has not reckoned with the factor of marketing or the problem of satisfying demand. If the needs and desires of man were uniform, measurable, and predictable, Socialism might possibly work. Public ownership and management is successful precisely in those fields such as gas, electricity, tramways, where the demand is constant, and where, in consequence, monopolies began to appear. But the needs of humanity are not uniform, measurable, and predictable. Human desire is in a constant state of change and flux. Mankind's need of food, clothing, housing, transportation, and recreation is constant. But his taste is ever changing and he is for ever seeking some new or better or cheaper way of satisfying those fundamental needs. Every hour he is seeking new varieties of food, new fabrics, better contrivances in the house, improved machinery in the workshop or in the field, new and more ambitious forms of amusement, wider facilities, and wherever he can find them he will give the product of his own labour in exchange, leaving the older products unsold on the stalls of the market place. And, therefore, the world of industry is engaged incessantly in inventing these novelties, in producing them, in making them cheaper, because in no other way can it secure the custom from which wages and profits can be paid and employment secured. Every business is in competition, not so much with one

## Socialism and Unemployment

another as with human desire, and such businesses as cannot adapt themselves continuously and rapidly to the change in human desire, disappear, the capital sunk in them is lost, and labour migrates into the employ of some more intelligent, resourceful and enterprising firm.

These are the facts with which reformers of industry have to deal. The overwhelming mass of people are dependent for their living on producing better and more serviceable and cheaper food, clothes, ships, locomotives, engineers' products, pottery, and so on, than they have done in the past, or the public will give its custom to others who are more adaptable, efficient and enterprising. To-day the initiative is taken by individuals possessed of ideas and of organising ability, who make savings themselves, or borrow the savings of others, in order to build the factories, pay the expenses between originating production and the receipt of cash for the finished product, and thereafter continuously improve and expand their enterprise. And unless these men are there in sufficient abundance and are allowed to do their work with the greatest possible efficiency, or unless labour or the State can do that work with equal or more efficiency themselves, the national standard of living will decline.

For good or ill, that is the world in which we live. It has become a more competitive and strenuous world, not through the "profiteering" motive, but because modern invention has immensely multiplied the possibility of satisfying man's innate desire for novelty, variety and progress. There has never been a time when man's desires were not infinite. But till recently it was impossible for him to satisfy them except on the most moderate scale. The root of our competitive industrial civilisation of to-day is the immense expansion in recent times, in the means of satisfying humanity's insatiable needs. And there is no method of arresting the onward rush of modern industrial civilisation save an alteration in human demand itself.

## Socialism and Unemployment

Two sets of people have seen this fundamental truth and attempted to deflect human desire. The first are the followers of Gandhi, the inheritor of Buddha's tradition. The head and front of the Gandhist campaign is that, if India is to escape the evils of modern Western industrialism, every individual must be content with the minimum of simple food, must manufacture his own clothing, and discard all material pleasures and possessions. In no other way can the advance of the modern industrial Juggernaut, in Gandhi's view, be arrested. But Gandhi, like Buddha, cannot succeed. For the price which he asks India to pay, and which he is willing that it should pay, is not only the suppression of all ordinary human desires, but the paralysis of all progress, all command over the forces of nature, as they are understood in the West. Under his system, man must live substantially where he is born. He cannot travel. He can have no amplitude and variety in his earthly life. He must be content with the pleasures of the mind and spirit alone. And with life on that basis, it is already clear, neither the majority in India nor in any other land is content.

The other group are the Communists. Lenin saw clearly enough that if Communism was to succeed he must control demand. And he controlled it by confiscating all private property, and absolutely forbidding private enterprise of every kind, so that while he did not attempt to alter men's desires as Gandhi and Buddha have tried to do, he made it impossible for them to gratify them because they could only obtain the products which the State elected to make and distribute. But Communism has completely broken down. The peasants would not abandon the private ownership of their land, and neither peasant nor worker would produce efficiently for the common pot, when all relation between skill or effort and reward was removed. So the wheels of national production slowed down until the standard of living fell to the famine point, when the stimulus of private ownership and enterprise and profit

## Socialism and Unemployment

was restored in 1921 in the New Economic Policy, and the standard of living began once more to rise. And to-day, while the Communists keep most of the big industries, the banks, transportation and foreign trade in their own hands, the Nepmen, or small scale capitalists, are proving so much more successful, alike in manufacturing what the people want and in saving the capital for enterprise, that it seems only a question of time for Socialism even in its present limited form to be abandoned in favour of practically unrestricted capitalism.

Modern industrialism rests upon the insatiable demand of mankind for novelty and progress. And, granted that it is a good thing that humanity should have freedom to satisfy its desires, capitalism is the best system which has ever been contrived for expanding the variety and interest of human life. There are many grave defects in the method in which capitalism has been worked. But most of the Socialist criticism of it has been based upon emphasizing its more flagrant defects and failing to recognise its fundamental merits. Its merit is that it has produced an incomparably higher standard of living and an infinitely more varied life for the whole community than any system of wealth production previously known to history. It has done so by enlisting the energy and enterprise of immense numbers of people in the difficult and risky business of satisfying that multiform thing, human demand, by making it possible for them to reap ample reward for successfully supplying human needs.

The fundamental truth can most easily be seen by contrasting Russia and the United States. Both are new countries with immense natural resources. In the one, Socialism has been completely carried out, and the standard of living is the lowest in the world. In the other, capitalism is almost entirely unrestrained, and the standard of living is the highest ever known, so that workers from all over the world, and not least from Socialist Russia, are clamouring to be allowed to become "wage slaves" within it. Capi-

## Socialism and Unemployment

talism, as a method of raising the standard of living of a community, is a demonstrated success.

Unfortunately, in the economic, as in every other field of human progress, the road is arduous and difficult. In the enterprise of raising the world standard of living, as modern industrialism has done, the weak and the lazy and the foolish have tended to fall by the way-side. And in the past not enough attention has been paid to protecting the weaklings during the transition from old methods to new and to restoring those who have suffered in the competitive strain. But no good will come to humanity by stopping the competitive process itself, even if that were possible, for it would simply mean stagnation at a low level of civilisation. The way of improvement is not to yield to the weak desire for ease and idleness, but to improve continuously the capacity for production and to educate and uplift the desires of humanity, so that, once a sufficient standard of housing, food, clothing, etc., has been reached, it will seek its happiness not in material pleasures and possessions, but in things of the spirit and mind. Then, and then only, will drudgery diminish and nobler work be possible for all.

### VI

THE Socialist diagnosis has also gone wrong in another way. Mr. Ramsay MacDonald writes\* :—

The first essential to their (labour) being employed at all is that their employers make profits by allowing them to work. This is the crux of the whole matter. The machinery of production and exchange has been constructed and is run in order that commercial need may be supplied by self-interest, and in the nature of the case, the self-interest is the self-interest of the owners of industrial capital.

The essential Socialist fallacy could not be better expressed than in these words. In the first place, the em-

\* *Socialism, Critical and Constructive*, p. 26.



## Socialism and Unemployment

ployer does not "allow" his employees to work. Without his knowledge and ability and without his use of his own or somebody else's savings, the vast majority are unable to make anything which their neighbours will buy, and they will starve. In the second place, the machinery of production and exchange only runs if, in fact, it does serve the community's needs. If any part of it does not produce what the world wants it will cease to pay, the capital invested in it will be lost, and it will disappear. The fundamental merit of capitalism is that it can only exist by successful public service.

There is indeed a complete confusion of ideas in the Socialist's argument about "service" being the right motive for industry and profit being the wrong. The question of whether a particular kind of product is one of "service" or not cannot be determined by the producer or the State, but by the purchaser. If it suits his needs he will buy it. If it does not he will leave it unbought. The true test of whether a particular activity is a "service" or not is whether it satisfies demand. And, if one analyses Socialism closely, it becomes apparent that "service," in the Socialist sense, means forcing the consumer to take not what he wants but what the producer or the State considers that he ought to want.

And this, in the last resort, is the rock upon which Socialism is bound to be wrecked. For the Socialist ideal to be realised must involve the destruction of the liberty of the individual and the dictatorship of the State, just in proportion as it is brought into effect. Socialism does not mean that the State, or municipalities, or trade unions, or guilds should start or conduct industries in competition with private enterprise and rely upon their superior efficiency to drive out private enterprise. If that were all, nobody would object, and Socialism would come into being just as speedily as the State, or the municipalities, or the trade unions, or the guilds learnt how to conduct business efficiently for themselves. But Socialists do not

## Socialism and Unemployment

and cannot mean this. They do not mean it, because they are now very doubtful, in the light of experience, whether socialised production is more efficient than private enterprise, and therefore whether it can drive it out by competition. They cannot mean it, because the idea at the root of Socialism is to get rid of competition, to prevent private people drawing interest and profits, altogether, and to substitute for competitive individualism the Socialist co-operative commonwealth, by "taking over" the means of production, distribution and exchange.

The ideal—the admirable theoretical ideal—entertained by most simple Socialists is that the community should be so organised that every citizen should be employed according to his talents in working to supply the communal needs, and that nobody should be able to live by owning but only by his own work. Such a commonwealth, however, can only come into being if the State itself directs how everybody is to be employed, conducts every business, and sees to the distribution of the socialised product according to its own idea of the individual's needs. And whether the process is by a single revolutionary act, as in Russia, or step by step, as British Socialists propose, the result is always the same. As the area of socialised management extends, the State must prohibit competition with its own products, decide how citizens are to work, and make it impossible for the community to buy any other than its own manufactures. Lenin saw the logic of the Socialist position and has never ceased to describe other Socialists as idiots and traitors to Socialism for not seeing it too. And in the draft Bill introduced by the Miners' Federation for the nationalisation of the mines, sure enough, there is the thin end of the compulsory wedge. There is a provision forbidding the State to lease or sell any mine or minerals to anyone at all. It must mine and market coal itself. Which means, of course, that there would be no check on the efficiency of socialised production. However expensive and inefficient management might be, however high the

## Socialism and Unemployment

wages paid in the coal trade might rise, however vital to the community good cheap coal might be, everybody is to be forced to buy the State product, at the State price, or do without it altogether, because the State will make it impossible for them to buy anything else.

No community, however, which has ever experienced political democracy, least of all Great Britain, where the instinct for individual freedom is especially strong, will permit any of the compulsory acts fundamentally necessary to the so-called Socialist co-operative commonwealth. It will not permit the conscription of labour. It will not permit the prohibition of private enterprise. It will not permit the abolition of competition. It will not permit the confiscation of private capital. It will not permit the State to dictate the habits, tastes, or customs of the people. As the experience of Russia has shown, the Socialist co-operative commonwealth is an impossible dream, because it can only exist on the basis of the universal tyranny of the State.

### VII

**I**T is perfectly clear, if the considerations urged in the foregoing sections are true, that Socialism, as it is believed in by the great mass of Socialists, that is to say, the elimination of the capitalist, private profit making and competition by the socialisation of the means of production, distribution and exchange, cannot work. If social direction of industry is to make progress at all, it will do so only because the State, municipalities or trade unions go into business on exactly the same competitive basis as private enterprise, and prove, in practice, more efficient than private enterprise in every field into which they enter.

And that is the fundamental truth of the whole business. The ideals of the Labour party—the perfectly healthy ideals—will come near realisation just in proportion as they abandon the notion that they can be realised by some form

## Socialism and Unemployment

of restriction on private enterprise, or of control or management by the State, recognise that they are attainable only within the fundamental limits of the existing economic order, and set to work to remedy the causes of inefficiency and injustice in capitalism instead of playing with the illusion that Socialism can replace it.

Despite the dreams of idealists, there is no possibility of dodging economic law. There is no magic in State "control." Socialisation will not abrogate the central fact that man can live only by doing something or making something which his neighbour will voluntarily buy. Municipalised tramways, nationalised railways and mines, guildised or syndicalised industries must all pay the interest necessary to borrow capital, the salaries necessary to get good management, the profits necessary to equalise risk, before they can pay high wages, and then they can pay high wages only by selling transportation, or coal, or other products successfully in a market liable to competition from rival producers. Efficiency in serving the world's needs is the only fund from which high wages and high standards of living can be paid, whether industry is privately or socially run.

## VIII

**I**T is now possible to see where the root trouble in the present economic position of Great Britain lies. Though, as we shall see, there are a great many other things wrong, the fundamental trouble is that the most energetic and enthusiastic leaders of the trade union world, because of their acceptance of the basic Socialist diagnosis of modern industrial ills, are not working for efficiency but against it. They are not enlisting the immense energy which is generated by modern industrial unrest to make the reforms which will really benefit the worker because they still believe that by some change of system, to be arrived at by

## Socialism and Unemployment

strike action, or political action, capitalism can be eliminated and social control can be put in its place, that as a result wages can be based upon some such uneconomic factor as the cost of living and not on efficiency, and that the profits which now go to capital can be transferred to the wage account.

As we have seen, that is a delusion. If every industry were taken over by the State or the trade unions to-morrow, it would not alter the economic laws by which they can pay those engaged in them, by a hair's breadth. Therefore, the first condition of improvement, of progress to higher wages, to a better standard of living, to expenditure on "nation building" services is that all sections should combine to make British industry the most productive, the most enterprising, the most successful in supplying what mankind is asking for, in the world.

The fundamentals can best be seen by considering two sets of figures. In 1922 Great Britain imported about £470,000,000 of foodstuffs, and £300,000,000 of raw materials. In order to pay for them she exported certain staples roughly as follows :—

	£			£
Cotton goods ..	150,000,000	Coal .. ..	70,000,000	
Woollens ..	95,000,000	Machinery.. ..	50,000,000	
Iron and Steel ..	60,000,000			

and so on. If she is to employ all her population and heighten the standard of her living, she must either produce more food and raw materials at home, or she must buy them from overseas by selling more of those staple articles which she is equipped to produce, in the competitive markets of the world. Is Socialism, is nationalisation of the railways and mines, is high taxation going to help her to accomplish this fundamental need, on which the realisation of all other hopes depends ? Or is what is really needed a dozen British Henry Fords ?

If fifty years ago the enemy of labour was the grasping, driving capitalist, who chained men, women and children

## Socialism and Unemployment

to his machines, to-day the enemy who depresses their standard of living and keeps them in poverty and distress is the Marxian Socialist. So long as socialistically minded leaders refuse to face the economic realities of the situation, so long will British standards of living be depressed. So long as they teach the working man that the capitalist is a predatory exploiter, so long will that miasma of class hatred and jealousy, which springs up wherever the Socialist appears, continue to hinder economic cooperation. So long as they talk to their followers about raising wages by any other means than securing efficiency as well as a square deal from the employer; about creating employment by ca' canny or shortened hours and not by making better products; about bettering conditions by political and not economic action; about nationalisation bringing a new heaven and a new earth; so long will it be impossible to get the discussion on to the only lines which can really produce results for the workers themselves or the country at large.

The trouble is that the delusions of Socialism are perfectly honestly held. That is their power. Yet history will probably record that it was the exponents of socialist economics, and the rank and file Labourites who blindly accept their teachings, who were principally responsible for the distress and unemployment of our times, and that in complete sincerity of conviction and honesty of purpose, they caused far more actual misery to the working population of their country after the war than all the capitalists in the British Isles.

## IX

**B**UT all this does not mean there is nothing wrong with the working of the existing economic order. There are many things wrong with it. The general idealism of the labour movement, in its desire to improve the standard of living and the status of the worker, to secure a better distribution of wealth between all classes, and to abolish the

## Socialism and Unemployment

autocracy and hardships of modern industrialism, is perfectly right. What is wrong is the belief, still entertained by a majority, that the cure can be effected by Socialism in any form. The road of advance is along different lines.

If the aspirations of Labour are to be realised, efficiency in industrial service must be recognised as the only road to higher standards of living of the worker and to universal prosperity, and attention must be turned to what are the real problems which make efficient industry difficult to-day.

The first is that of altering the status of the worker in industry itself. The worker and his wife to-day share responsibility for the conduct of the British Empire. They have none for the conduct of the industry in which they spend their lives save what they can get by collective bargaining. Once they realise that efficiency is the only road to better times for themselves, how are they to be enabled to share responsibility.

The second is the discovery of a better method of adjusting the distribution of the proceeds of industry between capital, direction, and labour than the "Kaffir bargaining" method of to-day.

The third is the prevention or control of monopolies, whether they consist of national or international, labourite or capitalist, rings or combines to eliminate competition and "profiteer" by artificially raising prices, and the destruction of private, municipal or trade union vested interests preventing progress.

The fourth is the problem of getting rid of the "two nations" which exist in all industrialised countries, the class which can live on the proceeds of invested capital without working and those who have to live by work alone. Both functions, saving for investment and work, are necessary to national prosperity. But the disparity which the payment of interest, the only means by which the capital necessary can be raised, creates in social conditions probably lies more closely at the root of industrial unrest than any other factor.



## Socialism and Unemployment

It is not possible at the end of this article to discuss the solution of these problems. That must be reserved for a later issue of this review.

We would only in conclusion summarise the fundamental thesis of this article. The true test of Great Britain's economic recovery is the degree of employment of her people. If the whole nation is employed and the dynamo of production working at full power, everything else falls into line. There will be money for nation-building, the housing difficulty will be solved because the worker will be able to pay an economic rent, taxation will be spread over a larger national turnover, the burden of doles will disappear, it will be possible to consider not merely how to restore the pre-war standard of living, but how to raise it for all. The only way, however, in which unemployment can be eliminated, and higher standards of living attained, is that Britain should increase her efficiency in serving the economic needs of mankind. Though there are other ways of helping to this result, the fundamental necessity, the only foundation upon which permanent betterment can rest, is a constantly increasing capacity to produce goods and services which other peoples will voluntarily buy in the competitive markets of the world. The principal impediment to this improvement to-day is the red herring of Socialism, which has distracted the worker and his leaders from following the real road by which his hopes can be fulfilled and from tackling resolutely and intelligently the real obstacles which stand in the way of his own prosperity and advancement. Labour will not begin to accomplish its ideals until it has purged itself of the delusions of Socialism, has mastered economic law, and returned to the truths of responsible democracy.

## AMERICAN POLITICS IN ELECTION YEAR

### I

IT is now certain—if the word has any meaning for politics—that the Republican Convention to be held in Cleveland in early June will nominate Calvin Coolidge to succeed himself. Already more than the requisite number of delegates are pledged to support him. Indeed, such a result was to be expected; for every President in his first term is his own logical successor, and the burden of proof rests heavily upon those who would advocate the nomination of someone else. Senator Hiram Johnson, to be sure, has spoken at large upon the qualifications of Senator Hiram Johnson for “the highest office within the gift of the people”; but he speaks less largely now since the Republicans of New Jersey, in a recent primary contest for the purpose of choosing delegates to Cleveland, rejected his pretensions in favour of Coolidge by a vote of nine to one. Other aspiring gentlemen have yielded gracefully, and the President has the field. Stage by stage he has assumed the actual leadership of his party. His strategy has been well conceived, his tactics have been skilful, but not too skilful. The Convention will be held in the city which he selected, its “keynote” will be struck by a speaker whom he named, and the President’s own man will be in the chair.

It is comforting to be able to write with “certainty” on this one matter; for all other things, internal and exter-

## American Politics in Election Year

nal, are in a most uncertain state. One might think, for example, that the Democrats, less than two months away from their own Convention, would have a fairly definite notion of the man to oppose President Coolidge in the November elections. Nothing of the sort. The Democrats of New York are gathering their forces for Governor Smith; some of the Western States still hold to McAdoo in spite of the taint of oil which spattered on him in the course of the Senate investigation. The Democrats of Alabama stand "to a man" behind their "favorite son," Oscar Underwood. In Virginia it is Carter Glass and no other. Ohio is for Cox in 1924 as Ohio was for Cox in 1920. Then the word passes that Senator Ralston of Indiana is the "dark horse" whose name will be put forward in the stress of the Convention, when the magic of other names has failed. "Not Ralston," says Jukes. "It's Senator Copeland of New York whom they're keeping in reserve." So the tongues wag: Walsh of Montana, Sweet of Colorado, John W. Davis of West Virginia and the Court of St. James, Silzer of New Jersey, Houston of the Wilson administration. . . They would even take Colonel House's hat from his modest head and, for lack of hats enough already, throw it into the ring. Not now, but at a psychological moment during the Convention when delegates are tired, and discouraged by innumerable fruitless ballots—when the week-end is in sight, and funds are low and querulous telegrams are coming in from wives. Then is the zero hour when Presidential candidates are chosen.

But where in this veritable telephone directory of names is the man who can win from Coolidge? The traditional strength of the Democratic party lies in the "Solid South," so the candidate should be "dry," and of course a Protestant. He *need* not come from the South, for the South is safely Democratic anyway. The potential strength of the party this year lies in the West, so the candidate should be liberal. He ought preferably to come from this section

## American Politics in Election Year

of the country, for here is the field of battle. Now McAdoo met these specifications in acceptable fashion and he might well have carried the Convention. But a certain notoriety gained in the Senate oil investigations lost him his early advantage, so that even his warmest supporters are no longer over-sanguine about his prospects. His name will be presented and he will receive the support of a considerable body of delegates already pledged to vote for him; but the best opinion seems to be that he cannot win through. Who else? No other man stands out as "available," and as a leader. Therefore someone must be found, not so much to win the Western States in the wake of a dominating personality, but to avoid offending them. Say, Senator Ralston of Indiana. Or say, anyone else from the Middle West who has no conspicuous disqualifications—or qualifications!

Thus the mice and men communed together until the last few days of April. Then the impossible event occurred: a Catholic, a "wet" and an Eastern man moved to the front of the stage. He was born on the East side of New York City, was Al Smith. He drove a truck, and then later he owned a lot of trucks. He is now serving his second term as Governor of New York State—one of the best governors the State has ever prospered under. He is a master of the political game, a skilled parliamentarian and an authority on State constitutional law. Above all, he is simple, kindly, wise, liberal in mind, courageous, honest and debonaire. And he is "Al," not because the writer chooses to be familiar with His Excellency, but because the men, women and children who speak of him, and most of those who speak to him, call him "Al." Imagine a man of fifty, of rather less than average height, slender, gay, quick as a trap, without illusions, without astigmatic ambitions, and you have imagined the most formidable contender to-day for the Democratic nomination.

It requires a certain knowledge of the history of American politics and a certain familiarity with the present political

## American Politics in Election Year

scene to understand the full effect of Governor Smith's fight for the Democratic nomination.

1. President Coolidge, with little or no consideration for the Middle and Far West, has tuned his pipe to the favor of the East. The Mellon tax reduction bill is approved in Eastern financial circles and by the President ; it is opposed in the West. The bonus Bill is opposed in Eastern financial circles and by the President ; it is approved in the West. The half-hearted efforts of the Administration toward the improvement of distressing agricultural conditions beyond the Mississippi have brought no relief, only disillusionment. So the Republican party is in a vulnerable position west of Illinois. Yet Governor Smith proposes to have it out with the President, not where he is weakest, but in the very section of the country which the President has appropriated as his own. If nominated, the Governor will fight from the East and in the East.

2. During the whole history of the United States no Roman Catholic has been nominated for the Presidency, nor for the Vice-Presidency. And Al Smith is a faithful Roman Catholic, in the year of our Lord 1924, with the Ku Klux Klan still flourishing.

3. In the matter of prohibition, whatever his recent utterances on the subject of law enforcement may have been, the Governor is counted as a distinct "wet" ; and in a country where parties have latterly inclined to nominate men who are equivocal on fundamental issues, his mere aspiration to the Presidency is a cause of grave concern and of high hopes !

4. Lastly, Smith is a Tammany man, a loyal member of that powerful organisation which controls New York City and reaches out its hands upon the politics of the State.

So, instead of the "dry," colorless, Protestant Westerner whom the situation seemed to demand, the Democratic managers must reckon with a "wet," vivid Roman Catholic of the very flesh and blood of New York City. His nomination might break the "Solid South" forever ; it might

## American Politics in Election Year

cause a rift in the party that would never heal. On the other hand, there are "wets" a-plenty among the Republicans, and Roman Catholics too, who would rally to his support if these two burning issues were involved. And above all these subtle calculations floats the cloud of his singular personality, his great gift for friendship, his everlasting genuineness. One remembers the San Francisco Convention of 1920, and memories grow fresh again of a moment when some forgotten supporter mounted the platform and presented the name of Al Smith for President. It was a ridiculous suggestion in 1920, a hopeless suggestion; for the bosses had other plans. Yet at the mention of his name, in a spontaneous demonstration of affection for the man himself, a thousand delegates rose from their seats like boys from school and marched round the hall to the music of "The Sidewalks of New York."

But they returned to their seats at San Francisco to nominate Cox; and one somehow feels sure that they will return to their seats in New York in June to nominate someone else. The tradition of party solidarity is strong, and the disruptive forces wrapped up in the person of Al Smith are tremendous. Who else? It is the harassing question which hounds the party. And since no man gets relief until he has tried to answer it, one risks a guess that Senator Carter Glass of Virginia will bear watching. Then, thoroughly ashamed of himself for throwing out a suggestion which has no authoritative foundation whatever, the writer, like a shambling tipster, begs to be excused.

## II

**A**MID these alarums and excursions the business of government proceeds pretty slowly and pretty badly. Ever since the middle of January the Press has been filled with voluminous reports of testimony in one Senate investigation after another. Mr. Denby and Mr. Daugherty

## American Politics in Election Year

have resigned from the Cabinet, to be sure, and the scandals related to them have thus indirectly led to the excellent appointments of Judge Wilbur of California as Secretary of the Navy, and Dean Stone of Columbia University as Attorney-General. All this is good; but hearings have been conducted with so little regard for the rules of evidence, and so little discrimination has been made among the various high and low characters who have been called to testify, that the public at large has been left with no clear impression of what constitutes administrative ineptitude and what constitutes corruption. . . . The sordid story still drags itself endlessly out.

These inquiries into the conduct of Cabinet officers, this campaign of attrition carried on by the Legislative branch of the Government against the Executive, has not been without serious implications. Twice the President has led a spirited counter-attack, first in defence of a constitutional right to maintain or dismiss the members of his own Cabinet, and again to rebuke the Senate for over-reaching itself in the scope and method of its investigation. The rift between these two branches of government—already wide before Coolidge, before Harding, even before Wilson became President—is now wider still.

One must first look to this long-standing dispute if he wishes to understand the recent impetuous action of the Senate in the matter of Japanese immigration. There is, of course, a violent feeling in the State of California, and a strong one throughout the rest of the country, against the admission of more Japanese settlers. But out of consideration for human sensitiveness, the American Government had adjusted this delicate question over a number of years through the rather loose provisions of a so-called "Gentlemen's Agreement." Under its terms not more than two hundred and fifty Japanese each year were admitted to residence in the United States; and no honest man can refuse credit to the Tokyo Government for the faithful way in which it co-operated to make the understanding effective.



## American Politics in Election Year

Ignoring the fact that this issue for some time past had been the subject of an international arrangement, and regarding only its national aspects, the Senate began to ride rough-shod over the whole field of immigration. Mr. Hughes saw the danger clearly, and with the intention of averting it transmitted for their consideration a mild protest of the Japanese ambassador in which the phrase "grave consequences" was used in a harmless context. Whereupon, because the Senators arrogantly intend to assert their control over all questions which may be construed as domestic, and especially because they saw a splendid chance to cripple the power of the Executive in the conduct of foreign relations, they took the pretext of two words to "pass a law which was unnecessary, to assert a right which was not challenged and to answer a threat which was not made." They overwhelmingly voted to exclude all Japanese immigrants from the United States. In the stormy language of Senator Reed of Pennsylvania, who, arm in arm with Comrade Lodge, led the Senate mob that day, they deliberately decided upon "the waste of twenty years of excellent diplomacy"; upon "the waste of the fortunate and happy result that followed the ratification of the four-power treaty in the Pacific"; upon "throwing away the good relations, or a large part of them, that followed the prompt and friendly action of America after the Japanese earthquake." The Bill has not yet become law, so there is still time to soften its impact by a compromise or to restore some fraction of good feeling in Japan by the hollow compliment of an ineffective Presidential veto. The conduct of the Senate would be reprehensible enough if it stood alone; but the *New York World*, in an editorial of April 16, spoke for many thousand Americans when it added:—

This incident is merely the climax to five years of truculent aggression by the Senate which has done immeasurable harm to the people of the United States. For in those five years the Senate has not only paralysed the Executive; it has gone out of its way to

## American Politics in Election Year

offend foreign nations. The time has come for the American people to see themselves as others see them, to understand their position in the world, and to insist that their Government act with that dignity and restraint which is the obligation of great power.

In these circumstances, it is assuredly better that General Dawes, Mr. Young and Mr. Robinson went to Europe as private citizens, with no degree of accountability to the Senate. Their report has been well received, the President has put his stamp of approval upon it and has urged American bankers to give the fullest possible support to the proposed German loan; the Press, though not everywhere regarding the settlement as ideal, considers it as a good working basis for economic reconstruction. It will, of course, lack formal ratification by the Government of the United States; but when one recalls the fate of previous international agreements, the device of an "unofficial observer" may be regarded, not as a subterfuge but as a successful invention mothered by the necessities of the American Constitution.

Occasionally there appears in American papers some reference, originating in Europe, to the hope of a further disarmament conference held out by President Coolidge in his speech before the members of the Associated Press on April 22.

There are certain definite things (he said) that can be done. I believe that among these are frequent international conferences suited to particular needs. . . . It would appear to be impractical to attempt action under present conditions, but with a certain and definite settlement of German reparations firmly established, I should favor the calling of a similar conference to achieve such limitations of armaments and initiate plans for a codification of international law, should preliminary inquiries disclose that such a proposal would meet with a sympathetic response.

But the significance of this speech should not be overestimated. The President himself has given warning that the present moment is not opportune for such a conference; at earliest it might take place "when the economic stability

## American Politics in Election Year

of Europe is restored." Nor should it be forgotten that the year 1924 is election year—when the concerns of the rest of the world are forgotten for a time, except as they may be dragged out of their seclusion to make campaign material. Lastly, even the President, with all his desire for any step in furtherance of peace, must shrink from one more exhausting fight with the Senate—a fight which he need not wage unless his conscience drives him to it.

And a fight it would be. For at the present moment in Washington a score of organisations claiming to represent more than twenty million voters are hammering at the doors of the Senate Foreign Relations Committee, asking for action on President Harding's recommendation that the United States adhere to the World Court. This harmless proposal has been before the Committee for more than a year, but they have blandly ignored its existence. They are now besieged in earnest by delegates from practically every Christian organisation, every Chamber of Commerce, every college and every woman's association in the country. Such men as President Lowell of Harvard, Bishop Brent, Walker D. Hines and George W. Wickersham are leading the assault. It is indeed an impressive sight—the people themselves battering their way into the inmost chamber to demand a rational explanation of all this mystery and hocus-pocus. But whether their crusade will be successful, or, if successful, whether it will not tend to delay further foreign action by the United States—these are questions which only the foolhardy would attempt to answer.

Beyond such concerns of the moment, a growing number of Americans are giving anxious thought to the limitations on negotiation and participation in external affairs imposed by the Constitution—by the system of "checks and balances," and especially by the provision which requires a two-thirds vote of the Senate for the ratification of a treaty. It is a situation which is not widely understood: that is, there is no popular demand for a change, and no popular

## American Politics in Election Year

support for the existing order. It is a matter which has not yet entered the field of politics, except in so far as Mr. John W. Davis has made his own views public, and in so far as Mr. Davis may be seriously regarded as a candidate for the Democratic nomination. There is no need to explain the evils of the present system to those who were stunned by the failure of the United States to ratify the Treaty of Versailles and join the League of Nations. The real need is that its shortcomings be brought home to the American people. When the changed relation of this country to the rest of the world is apprehended here, ways will be found for the prompter and surer transaction of international business. And when the power of the United States is realised by its own citizens as acutely as it is felt abroad, that power will be exercised with responsibility and with fitting dignity.

United States of America. May 1, 1924.

## SHOULD WE GUARANTEE A EUROPEAN SETTLEMENT ?

### I

THE mists at last are lifting rapidly from the main problems of foreign policy bequeathed to us by the war.

When the Allied statesmen met in Paris in 1919, they set to work upon a principle which was then accepted, or apparently accepted, by all the democracies concerned. The principle was this—that all the Allies in the war, whether of the New World or of the Old, should join together to reshape the map in accordance with the aims and ideals which they proclaimed in the war, should impose this new configuration upon the defeated enemies, and should jointly guarantee the settlement thus imposed against all warlike challenge in future years. President Wilson, speaking for the democracy of the United States, was the protagonist of this principle; and for its maintenance against the assaults of time, the guarantee of the New World was an essential element in the balance of the Old. It was, for instance, only on the strength of this guarantee that France accepted an Eastern frontier in accordance with the ethnical principles of the Allies; she would greatly have preferred a scientific dismemberment of Western Germany, which would have secured her the Rhine frontier as her very own. The New World, however—and in this grouping, Britain with the Dominions upheld the views of the United States—entered its veto against any such relapse into the traditional vice of European history; and in return for the submission of France to its

## Should We Guarantee a European Settlement?

veto, it pledged itself to uphold the new configuration of Europe, if necessary, by force of arms.

The aims which inspired the settlement were in this respect lofty and generous; but events soon showed that the representatives of the New World beyond the seas had promised more to Europe than their peoples would endorse. The United States repudiated the Treaty of Versailles, and with it both the Covenant of the League of Nations and the special Treaty of Assistance to France. Canada and South Africa also failed to ratify the guarantee to France, though they ratified the Treaty of Versailles with the Covenant of the League. Without these essential supports, the Treaty of Assistance fell to the ground, the European settlement as a whole was almost certain to give way at one point or another; yet the remaining signatories had no choice but to persevere in the application of the Peace Treaty to which they had set their names.

The settlement with Turkey, as vital to European stability as the settlement between France and Germany, suffered from a similar collapse of the great co-operative ideal. Here also the support of the New World was essential to the complete remodelling of Turkey and its Succession States, which had been a declared war aim of the Allies. It was hoped that the United States would accept a mandate for a free and absolutely self-governing Armenia, as also for a wide demilitarised zone, including Constantinople, on both sides of the Straits between the Mediterranean and the Black Sea. The hope shone brightly for a few months, then flickered, then tragically expired.

There is no need to recapitulate here the depressing story of the vicissitudes which have since beset both the Western and the Eastern settlements. In the slow torment of her awakening from the lofty illusions of 1919, Europe has suffered a gradual relapse into a condition of organised international suspicion, jealousy and hatred, which is a bitter mockery of the original peace settlements. The mists have lifted at last from the rugged passes in which

## Should We Guarantee a European Settlement?

we have been struggling since the moment, when, not long after the Paris Conference had dispersed, the glad and confident morning of our hopes closed gloomily in; and so far as Britain is concerned, the choice of paths before her is now fairly clear.

It is evident that great pressure will be put upon Britain, not only by her Allies, not only by some powerfully organised bodies of opinion in the British nation itself, but also by the logic of European history since the armistice, to enter into specific obligations, with naval and military liabilities, to maintain the European *status quo*. Such an obligation has, in fact, already been incurred by her in the Straits Convention annexed to the Treaty of Lausanne. Under that Convention we pledge ourselves directly, and the Empire indirectly, to a guarantee of demilitarised zones round Constantinople and the Straits. Other obligations of a similar kind are proposed to us as the price of re-establishing a sense of security in France and thereby procuring a settlement of the German reparation question by general consent. Another project of the same kind has been elaborated by a Committee of the League of Nations—Lord Cecil's Treaty of Mutual Assistance—which would commit us to very serious obligations in an heroic attempt to solve the joint problem of European stability and a reduction of armaments under the forms and in the spirit of the Covenant.

The Straits Convention already pledges us as guarantors of the Eastern settlement. If either of the other projects is adopted, we shall be similarly committed as guarantors of the whole European *status quo*; for France no longer regards her security as adequately guaranteed by a pledge to defend her Eastern frontier against unprovoked attack; she demands a much wider undertaking on our part to maintain the whole territorial system in Central and Eastern Europe. It is clear that the effect of these proposals, if we endorse them, will be to make us part of the European balance of power. Such a departure would be



## Should We Guarantee a European Settlement?

contrary to the whole tradition of British policy in Europe since that policy first took shape ; but the arguments in favour of it are weighty arguments. Peace and stability in Europe would assist us to recover our own prosperity ; and if this be the only way to secure peace and stability, it may be considered necessary for us to pay the price.

On the other hand, it is increasingly manifest that the Dominions would not here and now commit themselves to such obligations, even if we saw no alternative but to accept them on our own account. They are part of the New World, and the attitude of the New World to the Old World is accurately reflected in the policy of aloofness pursued with determination since 1919 by the United States. Yet a refusal on the part of the Dominions to join us in accepting such obligations cannot, while the Empire lasts, absolve them from the consequences of any action which our obligations may force us to take. So far as active participation goes, their discretion is real ; but if our obligations commit us to a state of war, they will be committed to a state of war, whether they participate actively or not. Such a situation must evidently place some strain upon their loyalty to the Empire, for it involves a serious derogation from their right as free peoples to decide whether they will go to war in a particular cause or not.

This is the central problem of foreign policy at the present time, and it is essential that, whatever decision we may take, we should take it with full appreciation of its implications and possible results.

In this country, on the one hand, tendency is being shown in some quarters to pursue the conduct of foreign policy with only such formal references to the Dominions as constitutional correctness may require. Mr. Ronald McNeill gave an example of this state of mind when he argued in one of the House of Commons debates on the Treaty of Lausanne that the anxiety manifested about Imperial co-operation was gratuitous. The various parts of the Empire, he reminded the House, had nothing

## Should We Guarantee a European Settlement?

to do with the guarantee given to Belgium nearly a century ago. Yet when the great war broke out, they sprang to our side, just as they had come forward voluntarily to help us in the South African war though, as far as he remembered, they were not consulted in it. The inference was clearly that if they did this in 1914, they would, in a similar emergency, do so again. Rhetorical statements which can only be met by some apparent disparagement of Dominion patriotism, are, of course, good debating material. But Mr. McNeill was, no doubt, quite sincere in his argument. It was evidently his view that co-operation must be taken for granted in the future as in the past, and that it was idle to discuss in advance whether or not the Dominions had actually pledged themselves individually to any commitment which this country had assumed.

Perhaps such a view is natural to those who have to get the business of the country done amid the great difficulties created by the present constitutional system. It shows, nevertheless, a complete misunderstanding of the vast change which has come over Imperial relations during, since, and in virtue of the war. No Dominion was in existence, of course, when the guarantee to Belgium was first given; only Canada was a Dominion when war broke out in South Africa. No Dominion or Colony voted a shilling for expenditure in South Africa. No Dominion or colony sent anything but volunteers to South Africa. How does that record compare with their participation in the great war? In it the moral and material resources of every Dominion and of India were strained to the utmost. They proved themselves nations in the hardest of all tests of national character, and made heavier sacrifices for the common cause than many of our European Allies. New Zealand alone, for instance, with one-eighth of Belgium's population, suffered more casualties upon the Western front than Belgium herself. But for the Dominions there might have been no victorious peace in 1919 or anything

## Should We Guarantee a European Settlement ?

resembling it. Those who do not understand that in future they will justly regard themselves as entitled to the fullest discretion in deciding whether or not they are going to war totally misread the circumstances in which Imperial co-operation is now of necessity, and by every consideration of equity, carried on.

On the other hand, in the Dominions, there is a considerable school which refuses to face the implications of partnership in the Empire and is always ready to evade participation or responsibility in negotiations, however important, even though such negotiations must affect themselves and the Empire as a whole. Mr. Mackenzie King's startling statement that Canada from the outset disinterested herself in the negotiations at Lausanne and therefore dissociates herself from the instruments negotiated there is an example of this. For whether Canada accepts the obligations contained in the Treaty or not, she is in fact bound by it. The plenipotentiaries, who signed it, signed it on behalf of the British Empire, and the Canadian Prime Minister has not suggested that he considers Canada to be still in a state of war with Turkey until she negotiates a peace settlement of her own. If that be the case, if the Treaty establishes peace between Canada and Turkey, Canada obviously accepts all the implications and obligations involved by the return to a state of peace ; and she therefore cannot argue that other obligations contained in the Treaty are not binding upon her. That is the constitutional position ; and though, of course, no purely constitutional argument effectively disposes of Mr. King's case, it is equally certain that Mr. King deceived himself in believing that it was possible for Canada somehow or other to disinterest herself completely in the peace settlement with Turkey. Yet he went so far as to put upon the British Government, by implication, the contention that Canada was not seriously concerned, and seemed to act upon the view that Canada had no need of judging the matter for herself at all.

## Should We Guarantee a European Settlement ?

In principle the two schools represented by Mr. McNeill and Mr. Mackenzie King have nothing in common, they are at opposite poles ; but in practice, like the negative and positive poles of an electric circuit, they play into each other's hands and produce a common current of political opportunism and *laissez faire*. How deep their real divergence is may be gleaned from the history of the great treaties during the last four years.

### II

THOSE Treaties, as we have seen, pledged all their signatories to maintain the new dispensation, by force if necessary, against any forcible change. The pledges given were contained, roughly speaking, in two instruments—the Covenant of the League of Nations and the special Treaty of Assistance to France signed by Great Britain and the United States.

The life of the latter has already been described. It was short. The United States did not ratify it, and it never came into force. Few people realised at the time that the course taken by the United States had also been taken by two out of four of the British Dominions, and those two the nearest to the European scene ; but, for the British Empire, the non-approval of Canada and South Africa had an even greater significance than that of the United States.

The parallel but much wider obligation contained in the Covenant of the League of Nations was embodied, so far as it involved a liability on the part of the signatories to resort to war, in Articles 10 and 16 of that instrument. Article 10 reads as follows :—

The members of the League undertake to respect and preserve as against external aggression the territorial integrity and existing political independence of all members of the League. In case of any such aggression or in case of any threat or danger of such aggression the Council shall advise upon the means by which this obligation shall be fulfilled.

## Should We Guarantee a European Settlement ?

The text of Article 16\* is longer, but need not be quoted in full. It subjects any Member of the League resorting to war in breach of the Covenant to a complete severance of trade and financial relations, and all forms of intercourse, with other Members of the League. This sanction the other Members are to apply, if necessary, by force of arms. The Council of the League is empowered to recommend what naval, military or air force each Government is to contribute "to the armed forces to be used to protect the covenants of the League." It is evident that the chief liability which the British Empire incurs under this Article is to be called upon to impose a naval blockade.

It is important to observe that under Article 10 the League can only "advise," and that under Article 16 it can only "recommend." The Council, moreover, can neither advise nor recommend, unless it is unanimous. It has, however, been generally held that the technical opening thus given to any Member of escaping from its liabilities under these Articles should not be allowed to weaken the moral obligation of honouring its signature to the Covenant. It would be much better that the obligation should not be contracted at all than that Members should seek to evade it by diplomatic or legal subterfuges when an emergency arose.

Such was the view taken, very fairly, by the Senate of the United States. The reservations under which a majority of the Senate, on March 19, 1920, finally consented to the ratification of the Treaty of Versailles—which, of course, included the Covenant of the League—contained two dealing directly with Articles 10 and 16 of

\* Four amendments to Article 16 were adopted by the Second Assembly in 1921. The most important of these was to supersede the second paragraph of the Article, which deals with the contribution of armed forces to protect the covenants of the League. The general effect would be to modify the form of the original text without materially altering the substance. None of these amendments have, however, been ratified by a sufficient number of States to bring them into force. The original text which we have summarized therefore stands.

## Should We Guarantee a European Settlement?

the Covenant. These two reservations, 2 and 11, read as follows :—

2. The United States assumes no obligation to preserve the territorial integrity or political independence of any other country by the employment of its military or naval forces, its resources, or any form of economic discrimination, or to interfere in any way in controversies between nations, including all controversies relating to territorial integrity or political independence, whether members of the League or not, under the provisions of Article 10, or to employ the military or naval forces of the United States, under any Article of the Treaty for any purpose, unless in any particular case the Congress, which, under the Constitution, has the sole power to declare war or authorise the employment of the military or naval forces of the United States, shall, in the exercise of full liberty of action, by act or joint resolution so provide.

11. The United States reserves the right to permit, in its discretion, the nationals of a covenant-breaking State, as defined in Article 16 of the Covenant of the League of Nations, residing within the United States or in countries other than such covenant-breaking State, to continue their commercial, financial, and personal relations with the nationals of the United States.

The effect of these reservations was widely misunderstood or misrepresented at the time. They were taken as a repudiation on behalf of the American Senate of all responsibility under the Covenant of the League ; but in truth they only made that responsibility subject to American constitutional law by declaring that in no event could American military or naval forces be employed in discharge of it without the consent thereto by resolution of the Congress of the United States. It was frequently said at the time that these reservations sprang solely from a determination on the part of the Senate to allow no encroachment by the President on the constitutional right of the Congress to declare war. The jealously guarded balance of power between the Executive and the Legislature which is one of the chief features of the American Constitution was no doubt in the mind of many Senators and played an important part ; but it is clear from the debates that the Senate was also anxious to provide that no foreign or international body, such as the Council of the League,

## Should We Guarantee a European Settlement?

should have any moral claim to over-ride the sovereign rights of the people of the United States. In other words, the Senate evidently felt that, in spite of the purely advisory powers accorded by the Covenant to the Council of the League, there was implicit in Articles 10 and 16 of the Covenant a moral obligation to honour the territorial and other guarantees established under the League by contributing, in the words of Article 16, "to the armed forces to be used to protect the covenants of the League." It was therefore determined to state in unmistakable language that the moral obligations of the American people could be subject to no interpretation other than that of their own constitutional representatives.

The resolution of ratification containing the reservations was carried by a vote of 49 to 35. A vote of two-thirds of the Senators present, or 56, was constitutionally necessary to make the resolution effective; it was therefore, in effect, defeated by 7 votes. Among the minority of 35 were 22 Democratic Senators who followed President Wilson's lead in declaring that the reservations provided, "not for the ratification, but rather for the nullification of the Treaty." Had these only preferred the Treaty, even with reservations, to no Treaty at all, the resolution of ratification would have been carried by 71 votes to 13.

It is one of the saddest ironies of the long period of disillusionment into which the world was cast by the Senate's decision that the complete elimination of all American participation in the League and the European settlement was due in the main to whole-hearted supporters of the League of Nations who could not understand that, for its own sake, it must not demand too much. President Wilson, stricken but heroic in devotion to his handiwork, believed that after the defeat of the resolution with reservations, "the door," as he then wrote, "will probably be open for a genuine resolution of ratification." But the door remained closed.

The League is now entering upon a critical period, in



## Should We Guarantee a European Settlement?

which Articles 10 and 16 will once more be put to the test of Parliamentary criticism and national scrutiny amongst the peoples of the world. It will be well for it if all its advocates remember that the greatest weakness from which it suffers to-day was caused by too rigid and absolute an insistence by its American supporters upon its moral claims over the discretion of the sovereign component States.

That the American Senate was not alone in sensitiveness upon the point of moral obligation under Article 10 of the Covenant has since been shown by the attitude of Canada towards that Article. At the meeting of the League Assembly in 1922, Canada tabled an amendment to Article 10 adding at the end of the sentence empowering the Council to advise Members as to the means by which their obligation should be fulfilled the words, "*taking into account the political and geographical circumstances of each State ;*" and appending the following new paragraph :—

The opinion given by the Council in such cases shall be regarded as a matter of the highest importance, and shall be taken into consideration by all members of the League, which shall use their utmost endeavours to conform to the conclusions of the Council, but no member shall be under the obligation to engage in any act of war without the consent of its Parliament, Legislature or other representative body.

In substance, this amendment is indistinguishable from the American reservation to Article 10,\* though the substance is to some extent camouflaged by diplomatic phraseology and protestations of regard for the League. It recalls the agreeable antithesis of form and substance familiar in the *Polite Letter-Writer*—"Profoundly regretting that I am thus obliged to put my own discretion above yours, which I so highly respect, I am, Sir, none-the-less, Your obedient servant, etc." On these terms, declared the critics of the amendment, it was not of much avail to be the "obedient servant" of the League.

\* See Reservation 2, page 503.

## Should We Guarantee a European Settlement?

In point of fact, the criticism passed upon the amendment by other Members of the League, though by a decided majority unfavourable, revealed an interesting divergence of opinion even amongst those Members who agreed with each other in opposing it. Some said that it was unnecessary as simply restating a generally acknowledged fact, while others considered that it definitely weakened the Article. The two points of view seem to show that the Article itself is differently interpreted by different Members—in itself a strong argument for the amendment. It was generally held, however, that an “interpretative resolution” would be preferable to an actual amendment; and at the Assembly meeting last year the following text was recommended:—

It is for the constitutional authorities of each Member to decide, in reference to the obligation of preserving the independence and the integrity of the territory of Members, in what degree the Member is bound to assure the execution of this obligation by employment of its military forces.

The report\* of the British Delegates to the Assembly contains a passage of some importance on the antecedents of the resolution. “The third paragraph of this text,” they write, “was originally drafted in the following form:”

It is, however, the function of the constitutional organs of each Member to decide *whether the circumstances do give rise to the obligation of preserving the independence and the integrity of the territory of Members, and in what degree the Member is bound to assure the execution of this obligation by employment of its military forces.*

“This draft appeared to us, as it did to certain other delegations, to show a dangerous tendency towards lessening the force of the obligations imposed by Article 10 by allowing of discretion on the part of individual Governments, not only as to the action to be taken to carry out their obligations, but as to the actual existence of an obligation in any particular case. We, therefore, proposed

\* Cmd. 2015, 1924, pp. 5-8.

## Should We Guarantee a European Settlement?

"the amended form shown above, which met with wide-spread acceptance and was not opposed by the Canadian delegation."

To the writer of this article, the original Canadian formula seems both clearer and more satisfactory than the amended one; for if the existence of the obligation in grave cases involving armed support of the League is not left to the judgment of national Parliaments, but reserved entirely for that of the Council of the League, then the only discretion left to national Parliaments must be as to whether they will honour or dishonour the obligation which the Council has declared to rest upon them. It is difficult to see how international confidence and straight dealing can really be promoted by an "interpretative resolution" establishing such a discretion as that; and it is indeed evident that the amended formula embodies, as amended formulæ so often do, not a clear interpretation of a doubtful point, but a compromise between two incompatible interpretations.

The amended resolution, supported by all the British Empire delegates and by France, but violently opposed by Persia and Panama, was ultimately put to the vote. Panama, with twelve other States, abstained from voting. Twenty-nine States voted Aye. Persia alone voted No. In accordance with the rules governing the Assembly, the resolution was defeated by this single hostile vote, but, as the British Report wisely remarks, "though of no binding effect, it will no doubt in practice have a great influence on the conduct of Members."\*

There the matter rests; but the argument which ended in the amendment of the resolution goes much nearer to the root of it than the discussion as to whether the resolution as ultimately recommended should be passed or not.

\* It is interesting to note the States which followed Panama in abstaining. They were Colombia, Costa Rica, Czecho-Slovakia, Esthonia, Finland, Hayti, Latvia, Liberia, Lithuania, Poland, Siam and Venezuela—all States more likely to need support than to provide it.

## Should We Guarantee a European Settlement ?

For after all, the point of supreme importance is, "who defines and fixes the moral obligation ?" If the League requires its Members to accept the verdict of a tribunal consisting of A, B, C, D, etc., as to whether a moral obligation rests upon any of them or not, it is not really of any moral value to A that he can escape the obligation in one of two ways, either by voting against B, C, D, etc., in the Council, so that their joint verdict is not unanimous, or else by refusing to give any practical effect to the obligation which has been declared by all, including himself, to rest upon him. The advocates of an unamended Article 10, of course, realise this ; and they want the full measure of the bond given in the Covenant. But it is at least doubtful whether, in taking this absolute view, they are not likely, like the supporters of the League in the American Senate, to do it more harm than even its bitterest opponents.

It is, therefore, as it seems to us, unfortunate that the Canadian amendment to Article 10 was not supported in its original form by the British Empire as a whole. But neither the form of the resolution, nor the fact that the resolution was only a substitute for a full-blooded amendment on the lines of the reservation originally favoured by the American Senate, can alter the fact that the New World within the British Empire is being pressed by democratic sentiment towards insistence on Parliamentary and popular control over all the obligations in which the nation may be involved. Though Canada took the lead in this direction, she undoubtedly represented a growing wave of opinion in Australia and South Africa ; and it is highly significant that, in spite of grave French opposition at the outset, the Canadian view was perforce supported by the British representatives at the last Assembly as well as by all the other representatives of the British Empire.

In an era in which the progressive peoples claim irresistably to control, not only indirectly through their Ministers, but directly through the representative institutions to which Ministers are responsible, in what conditions and

## Should We Guarantee a European Settlement ?

for what causes they shall go to war, no other course was in reality practicable. The whole trend of history since the summer of 1919 has proved that the fundamental conception of a world-wide guarantee on which the peace settlements of 1919 were based is in fact illusory. The free and untrammelled nations upon whom the guarantee really depends will have none of it. In this respect English opinion has been moving steadily in the same direction as that of the Dominions. There can be no doubt that the stand originally taken by the American Senate has proved prophetic and widely representative.

It is all the graver therefore that an entirely contrary movement has been concurrently supported and even led by British statesmen, who, under the pressure of diplomatic emergency, have allowed themselves to drift into the comfortable but dangerous fallacy that the guarantee of the British Empire can be parcelled up on the limited liability principle into continental zones. We must examine this contrary policy as briefly as possible before endeavouring to point the moral which results.

### III

**T**HE first obligation undertaken in this contrary sense by a British Government is contained in Article 18 of the Straits Convention annexed to the Treaty of Lausanne, the relevant part of which reads as follows :—

The High Contracting Parties, desiring to secure that the demilitarisation of the Straits and of the contiguous zones shall not constitute an unjustifiable danger to the military security of Turkey, and that no act of war should imperil the freedom of the Straits or the safety of the demilitarised zones, agree as follows :—

Should the freedom of navigation of the Straits or the security of the demilitarised zones be imperilled by a violation of the provisions relating to freedom of passage, or by a surprise attack or some act of war or threat of war, the High Contracting Parties, and in any case France, Great Britain, Italy and Japan, acting in conjunction, will meet such violation, attack, or other act of war or threat of war,

## Should We Guarantee a European Settlement?

by all the means that the Council of the League of Nations may decide for this purpose.

It is not necessary, in order to make the bearing of this engagement plain, to go into any detail upon the tangle of diplomatic arrangements which have at different times governed passage through the Straits between the Mediterranean and the Black Sea ; nor need the actual merits or demerits of the Lausanne arrangement as a guarantee for the "freedom of the Straits" be brought into question here. All that matters for the purpose of this argument is that Britain insisted at Lausanne on freedom of passage for all ships of commerce and a limited number of ships of war, provided Turkey herself were at peace. (If Turkey were at war the whole arrangement would be upset.) To guarantee this freedom, Britain demanded the demilitarisation of certain zones on both sides of the Straits, including Constantinople. The Turks pointed out very cogently in reply that such demilitarisation must weaken the defence of Constantinople, which, though no longer the capital, is still the pride and the jewel of the Ottoman Empire. The general guarantee of the League of Nations under Articles 10 and 16 not proving satisfactory to them, they were further offered the special Four-Power guarantee contained in Article 18, the effect of which Lord Curzon decried as follows :—

Finally, in order to remove all possible apprehension that the régime which we propose to establish will be abused to the disadvantage of Turkey, we have added a specific guarantee under which the security of Turkish territory and the Turkish capital is abundantly assured. Not only will Turkey be left with her own means of defence for her Asiatic shores ; not only will substantial Turkish forces be stationed at Constantinople ; not only will Turkey, so soon as she enters the League of Nations, share in the general guarantee provided by Article 10 of the covenant ; but under the additional guarantee which we propose to attach to the Straits Convention *she will be given an absolute assurance regarding her future security* and be able to devote her undivided attention to the economic reconstruction and progress of her own dominions.

## Should We Guarantee a European Settlement ?

The Turkish delegates were not entirely convinced by these assurances, but they ultimately, under protest, accepted them. After some debate in the British Parliament, which produced the statement by Mr. Mackenzie King in the Canadian Parliament to which reference has already been made, the Treaty together with the Straits Convention has now been ratified by the British Government, and binds the whole Empire.

On this procedure there are grave comments to be made. In the first place, the Four-Power Pact manifestly represents a departure of policy in a sense directly contrary to that which prompted the Canadian amendment to Article 10 of the Covenant. Mr. Ramsay MacDonald, when defending the engagement in the House of Commons, was at some pains to show that it only formed part of our general engagement under the League of Nations, and that we were therefore provided with the means of escape from any serious liabilities which it might involve, should such liabilities prove inconvenient. He said :—\*

My hon. friends below the gangway, like myself, regard all these guarantees with a great amount of suspicion. I am not sure that we shall always be able to keep out of them, but we shall certainly always approach them with a suspicion that will compel us to keep out, if circumstances will allow. Do let my hon. friends remember that the Council of the League of Nations can only act unanimously, and upon that Council we sit. The Council of the League of Nations cannot come to a conclusion without the consent of the representatives of Great Britain. The Dominions may be separate, but in that decision the Dominions have to take their share.

To this there is only one answer to be made—that it reads very oddly by contrast with Lord Curzon's language to Ismet Pasha, and that if we are in truth to accept Mr. Ramsay MacDonald's interpretation of our pledge, we have no right to represent it to the Turks as an adequate compensation for the weakening of the defences of Constantinople.

\* House of Commons, Official Report, April 1, 1924, pp. 2069-70.



## Should We Guarantee a European Settlement ?

The whole debate, indeed, demonstrates the undesirable equivocations by which these joint assurances and guarantees tend to be characterised. Of the British Empire we would wish it to be said that its yea is yea, and its nay nay. The world cannot be made safer for democracy by formulæ regarding security meaning different things to those who bestow and those who receive the assurances which they purport to contain. In this vital matter the New World has a clearer and cleaner vision than the Old ; and it is disquieting that the same British Government which supported the Canadian amendment to Article 10 should have pursued this utterly inconsistent and indeed contrary course of policy in the negotiations at Lausanne.

For this reason the contrast between the procedure adopted at Lausanne and that adopted previously at Versailles and Washington deserves particular attention. All the other Peace Treaties, and also the Washington Treaties, were signed separately on behalf of the Dominions and India by their own plenipotentiaries. The Treaty of Versailles and the Washington Treaty for the Limitation of Naval Armaments, which both contained obligations for the future, were moreover negotiated in consultation with a complete British Empire Delegation, the chief members of which all had full powers on behalf of their respective Dominions. The British Empire Delegation in Paris also discussed the 1919 Treaty of Assistance to France ; and to that Treaty, which the Dominion representatives did not sign, was attached the clause quoted earlier in this article, exempting the Dominions unless and until the Treaty should be approved by their respective Parliaments.

The method of negotiation and signature adopted in the case of the Treaty of Lausanne, and more particularly of the Straits Convention, which committed the Empire to a serious obligation, was very different. The negotiations were conducted by English plenipotentiaries alone. The Treaty and the Straits Convention were made inseparable by a special article in the Treaty, so that one could not be

## Should We Guarantee a European Settlement?

ratified without the other ; and neither was provided with the usual clause of exemption for the Dominions unless and until they should be approved by the Dominion Parliaments. It naturally and inevitably followed that the Dominions were committed to both Treaty and Convention by the single English signatory who represented the British Empire at the final meeting of the Lausanne Conference.

The significance of this change of procedure from the precedents established in Paris and at Washington emerges graphically from a table in parallel columns of the signatures appended on behalf of the British Empire to the three instruments :—

Treaty of Versailles (with Covenant of the League of Nations)	Treaties of Washington	Treaty of Lausanne (with Straits Convention)
D. Lloyd George	Arthur James Balfour	Horace Rumbold
A. Bonar Law	Lee of Fareham	
Milner	A. C. Geddes	
Arthur James Balfour	R. L. Borden	
George N. Barnes	G. F. Pearce	
Chas. J. Doherty	John W. Salmond	
Arthur L. Sifton	Arthur James Balfour	
W. M. Hughes	(for South Africa)	
Joseph Cook	V. S. Srinavasa Sastri	
Louis Botha		
J. Chr. Smuts		
W. F. Massey		
Ed. S. Montagu		

The consequences of this change of procedure both in negotiation and in signature deserve careful attention in this country. Canada, though she is technically bound by the Treaty, has declared that she accepts no obligations under it. What this means in practice is that, if Britain has to defend the demilitarised zones round Constantinople and the Straits, Canada will not regard herself as bound to participate in British action, although she, like the rest of the Empire, must suffer many of the consequences of the state of war in which Britain will be involved. In South

## Should We Guarantee a European Settlement ?

Africa there has been no debate ; but no sensible person can doubt that the Nationalist party, if it is returned to power at any time, will endorse the Canadian attitude. The Australian Labour party takes the same standpoint. The net result of the procedure adopted at Lausanne is therefore this—that if Britain is at some future date called upon to honour the undertaking given in the Straits Convention, two or three Dominions will be placed in the dilemma of finding themselves involved in a state of war by an obligation which their Parliaments have never endorsed, or else of declaring their neutrality and thereby detaching themselves from the Empire. That is the consequence of the departure from the Paris and Washington precedents sanctioned at Lausanne. It has been brought about on the one hand by the failure of British Ministers to realise that the Dominions cannot be excluded from complete association with British policy in great negotiations without endangering the moral unity of the Empire in some future emergency, and on the other by the failure of Canadian and other Dominion Ministers to realise that they cannot in reality disinterest themselves in such negotiations as those conducted at Lausanne without jeopardising either their national liberties or their partnership in the Empire.

So far as the Straits Convention is concerned, it is earnestly to be hoped that the present equivocal position may be adjusted by future arrangement with Turkey and the other signatories ; but the moral needs to be emphasized none the less, because the British Government and Parliament are soon to deal with an even graver departure from the precedent set in Paris and Washington, the Treaty of Mutual Assistance which is now being pressed upon all Members of the League of Nations.

Roughly summarised, the provisions of this draft Treaty are as follows. Its aim is to produce a general feeling of security which will promote an immediate limitation of armaments—an aim with which there must be universal sympathy. The methods suggested for attaining this

## Should We Guarantee a European Settlement?

aim, are, however, more disputable. Under it the High Contracting Parties "jointly and severally undertake to furnish assistance" in accordance with the Treaty "to any one of their number should the latter be the object of a war of aggression." In the event of war, the Council of the League is to determine within four days which of the combatant States has been guilty of aggression, and the parties to the Treaty are bound over to accept its ruling. The Council is then further empowered to act as follows:—

(a) Decide to apply immediately to the aggressor State the economic sanctions contemplated by Article 16 of the Covenant. . . .

(b) Invoke by name the High Contracting Parties whose assistance it requires. No High Contracting Party situated in a continent other than that in which operations will take place shall, in principle, be required to co-operate in military, naval or air operations ;

(c) Determine the forces which each State furnishing assistance shall place at its disposal ;

(d) Prescribe all necessary measures for securing priority for the communications and transport connected with the operations ;

(e) Prepare a plan for financial co-operation among the High Contracting Parties with a view to providing for the State attacked, and for the States furnishing assistance the funds which they require for the operations ;

(f) Appoint the Higher Command and establish the object and the nature of his duty.

Finally it is provided that the Treaty shall come into force

In Europe when it shall have been ratified by five States, of which three shall be permanently represented on the Council ;

In Asia when it shall have been ratified by two States, one of which shall be permanently represented on the Council ;

In North America when ratified by the United States of America ;

In Central America and the West Indies when ratified by one State in the West Indies and two in Central America ;

In South America when ratified by four States ;

In Africa and Oceania when ratified by two States.

The Treaty also contains a provision (Articles VI, VII, and VIII) permitting the existence between parties to the Treaty of "complementary defensive agreements,"

## Should We Guarantee a European Settlement ?

which may be put into immediate execution, without awaiting the decision of the Council of the League, should the emergency arise against which the parties concluded them.

We do not propose to deal here with this last provision (though it manifestly means that war will be fully launched before the machinery of the Treaty comes into effective operation) nor with the enormous difficulties which the Council must overcome in deciding within four days what State is really the aggressor. To take one example only of the latter difficulty, which State was the real aggressor, Germany or Russia, in August, 1914 ? Neither was directly concerned in the original dispute, which arose between Austria-Hungary and Serbia. Both took immediate steps for military intervention. Which was the first offender ? After twelve years, in which every relevant document has been published, the verdict as between Russia and Germany is still hotly debated. How could the Council have determined it in four days ?

Apart from these peculiar difficulties, there are also others, such as the determination of the Higher Command. It took three and a half years to secure agreement upon a united command on the Western front between Allies who were engaged in a common struggle for all they valued in their civilisation. The Council therefore must be confronted with a thorny task in "appointing" a joint Higher Command at the very outbreak of hostilities. And as for "financial co-operation," the unrecognized war-debts left by the last war must prove lions in the path of all future attempts to allocate financial responsibility over the heads of national Parliaments.

These practical difficulties, though they seem very sharply to endanger the working of the Treaty, are not in principle the most serious objections to which it is open from the standpoint of the British Empire.

From that standpoint, the Treaty contains the elements not only of danger, but of disruption ; and it runs directly

## Should We Guarantee a European Settlement?

contrary to the moral pointed by the history of all the expedients adopted since the Armistice to secure effective co-operation between the Old World and the New for the maintenance of European stability. It is indeed the most marked example yet afforded of the contrast between European thought and the standpoint of the over-sea democracies, and as such it is the greatest challenge yet presented to the unity in foreign relations of the British Commonwealth.

For, in the first place, it deliberately over-rides the democratic demand embodied in the Canadian amendment to Article 10 of the Covenant, that the national Parliament shall be the final arbiter of the obligations which rest upon each nation. In this respect, the language of the Treaty is peremptory, where that of the Covenant is merely suggestive and provisional. Under it the Council of the League "decides" (Article IV), "determines," "prescribes," and "appoints" (Article V), where the Covenant only "advises" and "recommends." How can such language be reconciled with the moral claim of every living national Parliament to watch over the lives and resources of those whom it represents?

In the second place, it parcels up by continents the obligations resting upon the British Empire, ignoring altogether the fact that if one nation in the Empire is at war, the others must also be at war, whether or not they consent, and whether or not they actively participate. The most striking example of what this means is to be found in the form of action which Britain is most likely to be called upon to adopt, the naval blockade. For if we impose the blockade, Dominion trade is arrested by the same process as our own, and Dominion ships become liable to counter-attack by the blockaded enemy. If any one still harbours the idea that the effects of the naval blockade can be confined to a single continent, they must surely have forgotten the events of 1914-15, when the imposition of our blockade in Europe brought us at once into very critical

## Should We Guarantee a European Settlement?

antagonism to the trading interests of the United States. It would be serious enough that we should risk for the sake of a blockade the hostility in some future emergency of the United States; it is difficult to imagine how a policy pregnant with any such possibility can really advance the cause of world peace. But it must also be remembered that the trade of the Dominions with Europe will grow rapidly as soon as normal conditions are restored; and that as the years go by, the imposition of a European blockade without their consent will grate against their interests and susceptibilities almost as seriously as against those of the United States.

In the third place, the Treaty deliberately sets aside a practice which we believe essential to Imperial unity, namely, the joint and interdependent approval by all the nations of the Empire of any treaty which may involve any part of the Empire in an obligation to go to war. Such obligations inevitably create a bias which determines the course of foreign policy from year to year; and if there be different obligations in different parts of the Empire, there will also be different interests on critical questions, and different forms of bias affecting the conduct of Ministers and the trend of public opinion in increasing measure as the years go by.

The most dangerous difference of bias would arise from a failure to recognise that, if the Empire is to exercise a united influence for peace and stability, regard must be had by British Ministers to the fact that, while proposals like the Treaty of Mutual Assistance, which would make Britain part of the European balance of power, are attracting more and more attention in Europe, opinion in the Dominions, as shown by the Canadian amendment to Article 10 and by the whole process of events since 1919, is demanding that those nations shall be committed to no naval and military liabilities which would bind or hamper the complete discretion of the national Parliaments in any emergency which might arise. The whole Empire is moving



## Should We Guarantee a European Settlement?

away from the European standpoint, and nearer that of America.

The tendency of British Ministers to take Imperial co-operation for granted, and of Dominion Ministers to disinterest themselves in what British Ministers may do, are both of them movements away from the close diplomatic co-operation established after war. While they temporarily play into each other's hands, they are in reality sowing the seeds of very grave disunion. That is the moral of the latent differences of view unexpectedly revealed by the references in the British and Canadian Parliaments to the Treaty of Lausanne. British Ministers must take that moral to heart, and with it the whole movement of opinion over-sea since the Paris Conference dispersed in the summer of 1919, if they are to discharge with wisdom and right judgment the trust which is in their hands.

### IV

THE mists indeed have lifted from the choice of paths before us ; but in this country we are far from certain which path to pursue. The problem may be stated in three simple points.

1. It is argued that there will be neither peace nor reason nor any reduction of armaments in Europe unless Britain incurs a definite naval and military obligation to protect and maintain a new European settlement. How far is it in reality an interest of the British Empire to incur any such European responsibility ?

2. If the policy of forming part of the European balance of power be recommended on European grounds, how far are British Ministers entitled, and how far will they be wise, to pledge the Empire to warlike intervention without assuring themselves in advance of the approval of the Dominion Governments and Parliaments ?

## Should We Guarantee a European Settlement ?

3. Should the British Empire pledge itself to the use of the naval blockade except on conditions permitting of consultation and agreement with the United States before any blockade is carried out ?

Peace is indeed one of the central aims of British foreign policy, and it is unquestionable that the foundations of peace would be more truly laid if all the victorious European Allies could be persuaded to follow the lead of the British Empire and the United States in a definite reduction of armaments. But it is far from clear that the British Empire would really advance this cause by making itself part of a new European balance of power ; and it would certainly not advance it by risking its own solidarity or creating any serious ground for a clash of interests between itself and the United States.

For centuries past, moreover, it has been against the fundamental principle of British policy to form part of the European balance of power. And that tradition is strongly reinforced in this century by the fact that British policy is now required to represent the interest and the sentiment, not merely, as in past centuries, of an island in the Northern European seas (albeit with a world-wide responsibility for communities not yet of age), but also of an oceanic Empire formed of full-grown nations in four continents. For that reason the march of oversea opinion since 1919 must be a factor of the first importance in determining the course which we are now to pursue ; and the moral which it points is unquestionably towards maintaining a disinterested and discretionary position, outside all European groups, but ready to use our influence in Europe as each emergency arises in whatever way seems most likely to serve the cause of conciliation and treaty faith.

To the League of Nations, all the British democracies desire to give sincere and generous support. They have been its mainstay for five years, and they are bound to it by an instinctive even more than a reasoned faith. But the

## Should We Guarantee a European Settlement?

League of Nations will gain nothing in the end by demanding more than the instinct of the oversea democracies, favourable though it be, can concede to any international authority with claims to over-ride their sovereign national rights. A united British Empire within the League will be a pillar of the League. A disunited British Empire would before many years bring the League in ruins to the ground.

The breadth of view which the maintenance of Imperial unity imposes upon British Ministers is also required of them by the fact that in essentials foreign policy is now subject to the democratic demand for Parliamentary control. It cannot be wise or reasonable that Parliamentary supervision, increasing in this country, should not also be recognised as the right of the democracies oversea. If peoples now claim to be supreme over their own destinies, they must, if they be free nations in any real sense of that term, also control the undertakings which are made in their name, particularly if such undertakings contain a moral obligation in certain eventualities to go to war. It follows that the oversea democracies must never, so far as we can prevent it, be confronted with the sudden alternative of declaring their neutrality in a British war, and thus seceding from the Empire, or of being involved in that war perforce, whether they approve it or not.

It does not follow that foreign policy should be conducted simultaneously by several Governments. That is so absurd an idea as to need no criticism. Some Government of the Empire must take the responsibility of conducting policy from month to month on matters that affect the Empire generally. In present conditions, and by the agreement of the Dominions, the British Government alone can carry that responsibility, particularly in European affairs. But the normal conduct of policy from month to month is one thing; and the contracting of engagements which bind the Empire in circumstances which no human wisdom can forecast, is another thing. It is in regard to such engagements that British Ministers

## Should We Guarantee a European Settlement?

must never forget that they are acting, not only for the democracy which they directly represent, but for five other democracies which must in future control their own destinies in the great issues of peace and war as fully as they have long controlled them in all questions of domestic national development.

Bismarck once observed that long-standing treaty obligations are not practicable as between democracies, because democracies are not *bundfähig* or marriageable. Though spoken in disparagement, the saying is profoundly true; and it is no disparagement to democracy for those who understand what true democracy means. In democracies statesmen cannot effectively commit their own generation, much less future generations, to undertakings entailing a moral obligation to go to war. They cannot, in other words, negotiate with the lives of men now living, still less with the lives of men unborn. Democracy since 1919 is setting its face yearly with greater force against any engagements which may impair its absolute discretion to act or not to act, when action involves the lives of its own sons.

Only a doctrinaire would attempt to lay down absolute and rigid rules on even great questions of this kind. *Salus populi suprema lex* is a maxim that applies to foreign as well as domestic affairs. But guiding principles are not rigid rules; and we repeat, with all the emphasis which we can lay upon it, that the first principle of British statesmanship must be to avoid, by every possible means, the occurrence of conditions in which the Dominions may have to choose between the alternatives of declaring their neutrality in a British war or of honouring an obligation to go to war which they have never endorsed. To bar this lion from our path, we must avoid with equal care any academic parcelling up of the Empire's obligations by geographical zones; for in a world which becomes more closely knit in trade and finance with every passing year, no statesman can undertake to localize even the range

## Should We Guarantee a European Settlement?

of hostilities, when war once breaks out, much less financial and commercial effects.

It will, therefore, never be sufficient for British Ministers to have the formal assent of the Dominion Governments to their conduct of negotiations in which a liability to go to war may be incurred. We have seen in the history of the Lausanne Treaty the dangerous result of assuming concurrence where concurrence is not real; and even graver negotiations lie ahead in the shape of France's demands for security in return for a settlement by mutual consent between the Allies and Germany. It may be that no British Empire Delegation will ever be persuaded to undertake again the obligations towards Europe which were undertaken in 1919. But however that may be, there is only one constitutional method in negotiation which can safeguard us against the danger of disruption over obligations to go to war; and that is the method adopted at the Paris and Washington Conferences of securing for all critical negotiations a full British Empire Delegation in which each of our democracies can speak with its own voice and concur or not concur with the rest as its own national interest and sentiment may decide.

It may sometimes be a cumbrous and slow-moving method, but it is the only one by which unity can be maintained. Our experience since the Armistice proves, moreover, to the hilt that while other methods produce disunion, this method not only avoids disunion but leads to effective co-operation and positive results. The views of different Dominions were notoriously divergent on the main Pacific problem that confronted the Washington Conference, but the British Empire Delegation there, under Lord Balfour's chairmanship, ultimately solved the problem without a dissentient voice. Unity is our greatest asset, in peace no less than in war; and it should be the touchstone of every policy by which our statesmen may seek to guarantee the peace of Europe or of any other continent, or ocean, in the world.

## IRELAND AS IT IS

*The following article is from the same Irish pen as the previous accounts of the situation in Ireland which have appeared in THE ROUND TABLE under the above title.—EDITOR.*

I AM disappointed—slightly disappointed in the Government and very much disappointed in the Irish people.

My chief cause of discontent is that in this month of May, 1924, the bulk of the people of Ireland are as unsound in their economic ideas as they were in May, 1920. They are still led away after false gods. They still think politically. They still believe that a change of Government will reduce prices, and that there is a primrose path to prosperity. They are apparently as ignorant of the elementary doctrines of political science as they were four years ago, and, what is worse, they have not yet learned the lesson that by work, and by work alone, a man or a nation must live. I had hoped that ere this it would have been borne home to my fellow-countrymen that if a Government is to exist it must govern, and that change of one form of government for another cannot of itself induce prosperity. I may be misreading the situation; I sincerely trust I am; but I am drawn to the conclusion that two-thirds of the population of the South of Ireland are still thinking as they thought from 1900 to 1921, and have still some confused idea that the abolition of the oath or even of the Governor-General would, without any effort on their part, lead to complete prosperity with lower rates, taxes, and food prices. Where I chiefly blame the Government is that they are still remote. They are so immersed in the task of governing that they do not realise sufficiently the necessity of economic education. Take any meeting-place

## Ireland As It Is

of men in Ireland and consider what is their view on any issue raised, and what is the dividing line. Is a candidate for Parliament elected because he is a Free Trader or a Protectionist? Is it because he is a sound economist? Is it because he is prepared to introduce beneficial legislation? In almost every instance the answer is in the negative. He is supported or opposed because of his particular brand of politics—Republican or Free State.

A county or a rural council is divided into two camps for the same reason, and no matter what the question to be debated, it seems almost impossible to get away from this misleading issue. The farmers' unions, which ought to be the most powerful bodies in a country whose wealth is 75 per cent. agricultural, are likewise rendered almost futile by the introduction of politics. The rent issue and the relationship of landlord and tenant was at one time of vital importance to Irish agriculture. With the introduction of Land Purchase its importance waned, but it was still a handy weapon for the old Nationalist party in the British House of Commons. They accordingly kept it in the forefront as a political issue. To-day it is by far the least of the problems which affect the farmer, and yet the farmer appears to be unable to get away from it. Rates are 200 per cent. over pre-war level; labour is at least 70 per cent. over; machinery about 100 per cent. over; transit charges on most railways 100 per cent. over; cost of living 75 per cent. over—rent is 25 per cent. *under*—and yet farmers, if they are not talking of whether this or that form of government is the better, will talk of the rent issue and the rent issue only. They should be one of the strongest, if not the strongest, party in the State and the Dail. In reality they are the weakest, and simply because their leaders do not educate and instruct them on the true issues, with the result that they either abstain from voting or vote on the purely political issue. I know, of course, that in a newly-formed State, with an anti-constitutional party ever ready to overthrow established conditions,



## Ireland As It Is

it is difficult to get away from this question. It must be got rid of, however, if the established conditions are to continue. The Free State Government cannot remain in power simply by being a Free State Government. They must educate their electorate, must exemplify the barrenness and futility of the Republican programme, must show how it can produce no material well-being and may lead to economic disaster.

I yield to no one in my admiration of what has been done by the present Government. They have produced order from chaos, have given Ireland an opportunity of prosperity which two years ago seemed beyond the realms of possibility ; but they must beware lest their very zeal for work be their own undoing. It is difficult for a Government, which has to enforce taxes from citizens who had previously evaded payment, to retain their popularity. It is doubly difficult when the aforesaid citizens do not understand the elementary principles of state-craft and when there is an anti-Government party always ready to fan the spark of discontent to a blaze with the Republican bellows. The only way that the Government can hope to exist is not to defend but to attack. Attack the ignorance of the country, go down amongst the people and say what they are doing and why they are doing it. Without disrespect to the Government I would like to say that I fear they are allowing themselves to be driven rather than leading ; there seems to be always a fear that something may crop up which will give the Republicans new capital. There is a little of what I can only describe as camouflage, much as I dislike the word. A lack of readiness to admit frankly the real facts. Ireland is a member of the Commonwealth of Nations which forms the British Empire, with the King as its head. I sometimes think there is a tendency to endeavour to cloak that fact as if it were a disgraceful secret, and I maintain that this policy is playing into the hands of the Republicans. I suggest that it would be better boldly to face that fact and go on to show how we

## Ireland As It Is

may become one of the most powerful of the constituent elements in that Empire. We have far too many idealistic doctrines and not enough hard facts. The Government has a definite constructive policy and programme; the Republicans have none. They simply cry: "Up the Republic," and never explain how the ordinary citizen will be any better off under their proposed régime. The ordinary citizen, not having learned to analyse any doctrine and having always been taught to believe anything which is shouted at him with sufficient frequency, repeats: "Up the Republic," without ever stopping to consider what his fate would be under such a form of government. The demagogue standing on the ruins of a building which his followers have destroyed proclaims that a Republic means Utopia. He does not produce any reasoned argument, any economic policy, but, as it is said often enough, the man in the street who finds that times are hard and taxes heavy begins to believe it, particularly as no one else is there to tell him differently. That is where I think the chief Government danger lies. We are quick enough as a race to absorb new ideas, but, just as a child needs an alphabet book before it can learn to spell, so many of our people need an elementary treatise on economics (if possible with coloured illustrations) before they can distinguish between facts and fancies. Our present Government has apparently no idea whatever of the value of advertisement, and I know no people who are so easily swayed by political advertisement as the Irish. Oh, for someone with personal magnetism and the gift of words to bear the fiery cross of endeavour throughout the country and rouse it from its apathy! Someone to tell the truth—that we will never be a nation till we work, till we produce more and better goods than our rivals; that until our exports at least equal our imports we cannot expect to exist, much less live; that Monarchies or Republics do not of themselves bring prosperity or riches in their train; that Ireland has now her future in her own hands, room

## Ireland As It Is

to develop, freedom to expand, opportunity to grow rich. Someone to show the farmer that as long as his cow can only produce 300 gallons of milk in the year, while the Danish cow, costing no more to feed, produces 600 gallons, Denmark will be more prosperous than Ireland, though they have a King and we have none. Someone to show the producer that combined selling, and the consumer that combined buying, will increase profits and diminish expenditure; someone to prove that co-operation is not a dream of enthusiasts but a practical working scheme; above all, someone to tell them to think, to analyse, to differentiate between constructive and destructive criticism and action; that grumbling does not help and that not every change is beneficial.

That is what I believe must be done before we really begin to awaken, and what makes me pessimistic sometimes is that, believing what I do, I cannot at the moment see who is going to do it. Our educated classes are sadly to blame; with a few notable exceptions neither the learned or commercial classes make the slightest effort to assist the Government by speech or action. It is lamentable to see in election after election less than 50 per cent. of the electorate voting. It is equally grievous to hear men, whose very existence is bound up with the State, capable of only the gloomiest forebodings and without a constructive idea. I do not deny that there is much reason for their unwillingness to take part in public life. Any attempt of recent years to be of genuine assistance to your country was frequently followed by material loss if not personal violence. Sacrifices which are made for the public weal are too frequently forgotten and the sufferer dubbed a fool. Yet unless public spirit conquers these perils I fear the future is not particularly rosy.

For, so the Ark be borne to Zion, who  
Heeds how they perished or were paid that bore it ?  
For, so the Shrine abide, what shame—what pride—  
If we, the priests, were bound or crowned before it ?

## Ireland As It Is

A little of the spirit typified in Kipling's words would do much to revivify and reunite our country. In this connection I may say that it was particularly unfortunate that the Business-men's party should have been attacked in the Dail as they were quite recently. The second reading of the new Bill for the unification of railways had been moved by the President and the principle of the Bill was criticised by several deputies, including those representing trade interests. This drew from the President a reference to the Business-men as "pieces of antique furniture" and a suggestion that much of the disorder of recent years was attributable to their party. I feel sure that what was said was unconsidered and largely due to the fact that the President, in common with the other members of the Government, is overworked to an appalling degree. Any man who is overstrained will, in a fit of nervous irritation, say what he never even thought of in normal moments. It was none the less an unfortunate incident, occurring as it did just at a time when the State demands that *all* her sons should think and speak and be alive to economic conditions. The Government can do much to foster our interest in our affairs by being more frank in their reasons for their policy and actions. In order to be strong it is not necessary to be autocratic. The representatives of democracy should always be ready to explain to even the dullest of their electors the why and wherefore of their actions. A democratic Government should never treat with contempt their representative Assembly. Never having been an active politician, I speak with much diffidence, but I would suggest that the present Government would have put itself in an immensely stronger position in the Dail and the country if it had, when any crisis arose, put all its cards on the table, and having explained the position, then stated the decision. The decision was too often stated first, and the reasons dragged forth piecemeal afterwards until what was really the wise and courageous course appeared a subterfuge and a trick. If the defendant in a

## Ireland As It Is

trial were permitted to state the plaintiff's case one could hardly expect the jury to have a clear understanding of the rights and wrongs involved in it. Another thing I do not quite understand is why certain essential legislation is delayed, while day after day in the Dail is wasted over what the ordinary taxpayer regards as wholly immaterial to his welfare. What I have in mind are the Bills relating to agriculture which, it is whispered, have been in preparation for months, if not years. If the farmers will not grade their butter and eggs they must be made to do so. If the dairyman and cattle-breeder will not voluntarily give up the practice of breeding from a "scrub" bull, they must be forcibly prevented. Acts of Parliament for these purposes would do an immensity of good to agricultural interests. Would the three days spent in a full dress debate over the words "Great Britain and Ireland" in an obscure treaty not have been better spent in passing such measures as these? Again, this absurd issue of "England" is conducted to the front of the stage, while the true interests of Ireland are told to hide in the wings. Can no one see, and can no one say, that words do not matter; that our dignity does not depend on our name; that to be a great country, no matter how called, we must be educated, must have a correct appreciation of values political and commercial and must be solvent. It is the Government's privilege to act as helmsman, to keep the ship on her course despite squalls or even gales. To do that there must be, in addition to a skilful helmsman, a willing crew, and that crew will not be willing unless they know what port the ship of State is steering for and why. The strong, silent man theory is impracticable at the present stage in Ireland. There is one cheering thought, and that is that we have time to think and write of these problems. The shootings and burnings have stopped, the law is functioning again, the normal life of the country is proceeding. That is a blessing that we probably do not sufficiently appreciate; we certainly do not sufficiently thank the Government for it.

## Ireland As It Is

This curious result ensues that as disorder diminishes the task of Government becomes more difficult. In 1922 all we wanted was strength, a definite control and crushing of the disturbers of our peace. Now, being relieved of the dread of destruction of life and property, but being still impoverished thereby, we look round for someone to blame, and who more suitable than the Government which saved us! If my criticisms hitherto seem carping and ungenerous my excuse must be that I feel so deeply the immediate need of the nation for economic education, thought and interest in public affairs; and I dread lest a Government which has done so much may fail by the very pressure of its responsibilities to abolish the old standards of thought and attract its electorate with a new educational, economic, and political atmosphere.

Any survey of Irish affairs, however cursory, would be incomplete if some reference were not made to the Boundary question.\* It is with the greatest hesitation that I approach this thorny question. Much has been said and written on one side or the other, much feeling has been aroused and many divergent views have been advanced. I do not propose to examine either the wording of the Treaty or its legal effect. My view is that the Free State Government should boldly state that for the present they waive their claims to have a Boundary Commission appointed. My reasons for this view are:—No matter what Commission is appointed and what boundary is established, it is a boundary and a division between North and South. The greater the amount of territory which is embodied in the Free State as the result of any Commission, the greater the bitterness and bad feeling which the inhabitants of the remainder feel and the more lasting their exclusion. Even if the greatest hopes of the Free State are realised, and all Tyrone and Fermanagh are included in the Free State, there will still be excluded Derry,

\* A note on the Boundary Question, together with a map, will be found at the end of this number.

## Ireland As It Is

Antrim, Down and Armagh. The boundary between that excluded territory and the remainder of Ireland will be made permanent or virtually so, and the possibility of a united Ireland put back a century. Had the Treaty been accepted unanimously by the South in 1921, the North would have joined us ere this. As it is, many of its business men and non-politicians have in the last few months come to realise that in a united Ireland lies the chief hope of the future. The politicians, it is true, are as vocal as ever, but there is in many minds a great desire for union in some form. Force on this Boundary Commission, and I say again, no matter what the result, you stifle for all time the possibility of that desire finding expression. The hands of the Orange die-hards are strengthened and partition is made permanent. I often hear it said that the Northern Government, by gerrymandering the local government elections and by their inflammatory speeches, are themselves endeavouring to force on this issue. Admitting that ; what then ? Are we going to play into their hands ? Every man who has a position in the Northern Government, of course, wants to consolidate the ground he has won, and by far the best way to do that is to put the Free State Government into the position of holding a pistol at the head of the North and endeavouring to force them to do now a part of what they would have done voluntarily in a few years. Inflame the people, get back to the old no surrender slogans, "Ulster will fight and Ulster will be right," "Home rule means Rome rule," etc. etc., and the holders of office in the North can sit back and smile, secure in their offices for years to come. I said earlier in this article that I thought the Free State Government sometimes were inclined to play down to Republicanism. I am convinced that by demanding this Commission they are unwittingly playing down to Orangeism. If Mr. Cosgrave to-morrow said:—"We abandon the claim for a Commission, neither Republican threats nor Orange violence will force us from our course. The only boundary we want



## Ireland As It Is

is the Atlantic Ocean, and we know we can only attain that by showing the North that it will pay them to join us, and we hope to show them that within three years' time." If, I say, that were said, I believe it would carry the country; no one but would realise the wisdom of such a course. It would confound the Republican and defeat the die-hard. It might not be politics, but it would be statesmanship. Politics will try to pinch the last ounce out of our treaty with England, politics will inflame our Press and our people, obscuring their vision by their passions until they cannot see that by demanding a Commission they have themselves become partitionists; politics will beat the drum in Ulster and deaden the voice of moderation. Politics may destroy us but they will never save us. When we have put our own house in order, when income tax is lower here than in Northern Ireland, when trade is better and business more prosperous, then no Boundary Commission will be necessary. Until that time a Commission will only embitter and estrange our fellow countrymen.

## UNITED KINGDOM

### I. CURRENT EVENTS

#### *Industrial Troubles*

ELSEWHERE in a separate article we review the progress of political events as they exhibit the performance and the promise of Mr. MacDonald's administration. The political record is in the main inconclusive. The industrial record is not less so. It would be stating facts, but stating them unfairly, to say that almost every week since a Labour Government took office, the country has been embarrassed by some grave industrial disturbance, actual or impending. Labour, with its new responsibilities thick upon it and its political majority still to win, is sensitive to the imputation. The effect of Labour being in office upon the industrial situation is considered elsewhere. It is enough to say here that so far the balance has been fairly evenly preserved between the restraint imposed by the knowledge that Labour is, politically, on trial and whatever encouragement the first taste of power may have given to its militants. The industrial record of the present year, then, is bad, but probably no worse and no better than we should have seen without a change of Government. The symptoms of unrest were visible months ago. The change of Government has had less to do with it than the turn in trade. On a falling market, wages suffered generally. It bore with special severity on wage-earners directly exposed to foreign competition. The "sheltered"

## Current Events

trades—to give them the appellation which Mr. Baldwin has popularised—were able to offer a more effective resistance to economic pressure. The result has been to leave in industry glaring and provocative inequalities of reward for labour. While they exist, the promise of industrial stability cannot be great. When the curve of trade at last began its slow ascent, they whetted the determination of the miners, for example, to recover lost ground. At the same time, the miners, having before their eyes the exemplary earnings of the unskilled but sheltered, are the less ready to accept, as the measure of their wage, the capacity of the mining industry to meet it.

The miners—to take first the most considerable of current disputes—have pressed their claims, under the leadership they have enjoyed so far, with pertinacity, but also with discretion. The new Secretary of the Federation, in succession to Mr. Frank Hodges, Civil Lord of the Admiralty, is a representative of the “forward” school from South Wales, and avows his warlike purposes. It is early to say what effect the change may have on the important stage which the dispute has reached. Two things counsel caution. The reluctance of the Government to attempt the imposition of the miners’ demands by law upon the industry is manifest. All the mining areas, as can be explained later, have not the same interest in pressing their official claim to that extremity. Having given the three months’ notice due for the termination, on April 14, of the agreement which has ruled wages in the industry since 1921, the miners met the mine-owners in negotiation at the beginning of March. The miners demanded a minimum wage 40 per cent. above the 1914 wage *plus* an increment corresponding to the increased cost of living. The owners offered a wage 10 per cent. less than their demand, and a “subsistence” wage, payable to the worst-paid men, which would in fact have exceeded the demand. The men further asked for a revision of the ratio of standard wages to standard profits, and of the ratio in which the

## United Kingdom

surplus, left after these standard charges had been met, was divisible, in such a way as to give 88·5 to themselves and 11·5 to the owners out of the whole amount. The owners offered 87 and 13. Fuller publication of the accounts was conceded. It should be observed in passing that the public, and even the miners themselves, find the interpretation of these national percentages in terms of actual or probable earnings a task they are glad to leave to experts. Public opinion, a valuable force in simpler questions of industrial controversy, is mystified from start to finish by the complexities of the wages system in the mines.

The owners' offer was substantial, though its precise effect on wages was disputed. The more prosperous districts would have closed with it. A conference of delegates, however, refused it as inadequate and turned again to Parliament. A Minimum Wage Bill, introduced by a private member, had been sacrificed reluctantly to the exigencies of the Parliamentary programme. The miners now requested the Government to bring in a measure of their own to replace it. For a time, it seemed likely that the Government would comply. Then it drew back from a very unpromising and troublesome commitment hardly within its present strength. Mr. Shinwell elicited from the leaders that they were still open to an industrial settlement and undertook to mediate between the parties. The Government promised an inquiry if he failed. The resumed negotiations led to an improved offer from the owners. This the delegates resolved to submit to a ballot of their members. The result of the ballot, declared on April 12, showed a narrow majority for rejection. 322,392 voted for acceptance, 338,650 against. South Wales, Lancashire and Scotland, the districts most extreme in their views and worst served by the agreement, carried the day against the Midlands, Yorkshire, Durham and Northumberland. Yorkshire indeed voted down by a considerable majority the recommendation of its own leaders. The voting explains the real difficulty. The

## Current Events

miners' claims are based on the needs of the majority districts. There is no disputing the insufficiency of the wages earned by the worst-paid workers in those coal-fields. Nor is it disputed that a large number of the collieries that employ them would have to close down if the miners' claims were admitted or enforced. In the eastern districts, represented in the minority, a number of the collieries could probably satisfy the demands in full. Owners and miners both base themselves chiefly on the poorest mines. The men, with representatives in the Cabinet and sufficient members in the House of Commons to constitute a whole wing of the Labour party, look to Parliament ultimately to give the poorer districts a share in the profits of the more prosperous under a pooling arrangement. The owners resist a project which means nationalisation. For the present, however, the men's immediate aim is to bring to bear the pressure of a Minimum Wage Act. In that they have the express approval of the Labour party in Parliament.

The ballot was not a strike ballot. As strike action in any case requires a majority of two-thirds, it seems to be ruled out in advance. Armed with the authority given them, the leaders called on the Government to redeem the promise of an inquiry. At the end of April a Court under the presidency of Lord Buckmaster sat to investigate and report on the matters in dispute and to compare miners' wages with those earned before the war, having regard to the increased cost of living, and with the rates ruling generally in industry at the present time. The business of the Court, it will be seen, was to ascertain facts, not to make recommendations. It sat at the end of April to hear the highly complicated detail of both cases and incidentally to receive some fresh demands from the miners' side. Its report, issued on May 10, followed the terms of reference very closely. It confirmed the broad features of the two cases described above. Its nearest approach to a recommendation was the hint that fresh negotiations between the

## United Kingdom

parties promised the best results. Proposals for a closer working between richer and poorer districts it regarded as a "political question" which it was not free to enter upon. The miners, while not concealing their disappointment with the report, acted on it. Negotiations with the mine-owners were resumed. In a short time an agreement, subject to the approval of the conference of miners' delegates, was reached. The owners have bettered their terms again. The minimum wage is to be  $33\frac{1}{3}$  per cent. above standard, and the men are to have 88 per cent. of the surplus proceeds. Special treatment is accorded to the worst-paid workers. The industry and the country are therefore to be congratulated on the averting of what would have proved a calamitous strike for all concerned. It must not be taken that the miners' organization has scrapped its political ambitions, despite the disappearance of the Minimum Wage Bill and the failure of another private Member's Bill for the nationalization of mines and minerals. But for the present it is enough that the 1921 agreement, as amended, is to have a further trial. Mr. Shinwell meanwhile has been cross-examining the coal merchants. Here, as elsewhere since the war, it is thought that the middleman's profit bulks too largely in the retail price.

The question of the mines, their organisation and ownership, touches the political fortunes of Labour and may well in another stage become the ground for a decision affecting the whole system of British industry and the nature of British enterprise in the future. Other industrial conflicts in the period under review may be summarised in less detail. While negotiations were in train for the revision of wages in the shipyards, an unauthorised strike broke out at Southampton at the beginning of March and persisted with great bitterness for nearly two months. Here, too, the disparity of earnings between skilled men in the yards and unskilled men outside, as, for example, those in municipal employ, largely explains the repeated failures of the unions concerned to restore the discipline which they had failed

## Current Events

to insist on in the first instance. One union went the length of expelling its Southampton members. The employers refused to enter a conference before the strike ended. They threatened a national lock-out, which, after several postponements, was actually in operation before the strikers returned to work. The transfer of the *Mauretania* to Cherbourg for the completion of her reconditioning withdrew the trump card of the strike. As soon as a settlement had been reached, national negotiations were re-opened and the question of an increase in wages referred to arbitration.

The demand of the London tramwaymen for an increase of 8s. a week led to a sudden strike on March 21. The 'busmen were brought out at the same time in support. A Court of Inquiry was promptly set up, and reported on March 24 that the men's demands were justified and that the tramway undertakings were unable to meet them. It advocated action by Parliament to co-ordinate the traffic of London and to mitigate competition, which has overreached itself to the detriment of profits and wages and to the congestion of the main streets. After some days' delay the dispute was ended on terms somewhat below the men's demands and with the promise of legislation which the Government is engaged in fulfilling. Employers and employed in the building industry have been in conference for some time on the demand of the latter for a wage increase of 2d. an hour. The employers have offered  $\frac{1}{2}$ d. A ballot of the men has given their leaders authority to re-open negotiations and, if they fail to obtain satisfactory terms, to declare a strike. While the discussion of the men's claims was in progress, an anticipatory, unauthorised and entirely indefensible strike broke out among the workpeople engaged on the British Empire Exhibition at Wembley. This was a mere stand-and-deliver strike, under Communist inspiration, three weeks before the Exhibition opened, designed to exploit the anxiety of everyone concerned to have the Exhibition as ready as possible



## United Kingdom

by the opening day. After three days of confusion the union regained control. The Prime Minister later described this strike, and justly, as of the kind certain to bring discredit on Labour. After the stoppage, however, the men responded excellently to an appeal from Mr. J. H. Thomas urging them to do their utmost to make up for time lost.

This brief chronicle of the industrial experiences of the quarter omits some minor strikes and is incomplete in its tale of wage claims pending. It is sufficiently full to give an impression of the unrestful state in which British industry, though not altogether lacking in other signs of returning vitality, finds itself at present. One event, it may be hoped, presages a wiser spirit in industrial relations. Employers and employed in the engineering industry have instituted a joint investigation of the best means of procuring stability so far as lies within their control. The industry has reason to seek it. The earlier promise of improvement has entirely fallen away. The upward movement of prices has not been maintained and the present outlook is unpromising.

### *The Budget.*

Revenue in the year 1923-1924 exceeded the estimate by 18 millions. Expenditure fell short of it by 30 millions. 48 millions, in addition to the sinking fund already provided for, were thus applied to the extinction of debt. In his speech introducing the Budget, Mr. Snowden estimated that since 1919, the total reduction of the National Debt, external and internal, amounted to over 650 millions. The accounts for the current year, on the basis of last year's taxation, promised a surplus of 38 millions. Mr. Snowden disposes of all but 4 millions of this expected balance by way of remitted taxation. The consumers of tea, cocoa, coffee and sugar will profit to the extent of 24 millions in a full year. The Entertainment tax on cheaper

## Current Events

seats is abolished or reduced. The "McKenna duties" on motor-cars, clocks, pianos, etc., are abolished. The Corporation Profits Tax and the Inhabited House Duty disappear. Minor concessions are made to the payer of income-tax. In a full year—not, of course, in the current year—the estimated cost of these changes is some 21 millions. When we add that no express provision is made in the Budget for expenditure on the new housing scheme, with which Mr. Wheatley is now engaged, and other commitments of Labour's social policy, it will not be surprising that speculation has already run ahead from this Budget to the next. The present Budget, while it contains something for everybody, alters the ratio of taxation between the indirect and the direct taxpayer to the further disadvantage of the latter. What is to be the solution in the coming year, when the full cost of the present concessions and of a developed programme of social legislation fall to be met? Similar questions have been asked about previous Budgets. They have been satisfactorily answered hitherto by unexpectedly large increments of revenue and savings on expenditure. Mr. Snowden, too, while believing that he can budget more closely than his predecessors were able to do in times of greater unsettlement, allows for expanding revenue. Still there is in sight in next year's Budget a balance of 6 or 7 millions of expenditure which would not be covered by revenue on this year's scale. To that must be added the unknown costs of a far-reaching policy of social reform. Such calculations as these underlie the suggestion referred to on another page that perhaps the true purpose of Mr. Snowden's Budget, so devised as to be politically impregnable, is to clear the decks for the "first Labour Budget" of a year hence.

### *The Wembley Exhibition.*

The word Wembley, little vigour or beauty as it may possess of its own, will serve to classify 1924 among the

## United Kingdom

dates which, like 1851, we have no difficulty in remembering. What is to be seen at Wembley is as vigorous as could be wished and not a little of it has beauty too. The courage which conceived of an undertaking on this scale and carried it to completion in unpromising times is its own recommendation to success. Whatever the difficulties and anxieties of statesmanship may be, there is a convincing look of confidence in this epitome of life, work and trade within the Commonwealth. It was, perhaps, something more than confidence which assured the expectant public that the Exhibition, surpassing previous exhibitions in most other respects, would also surpass them in punctuality. Only a miracle could have made it ready for the opening day. But there was more than enough for a day's sightseeing even among steam rollers and scaffolding. By the time this number of the ROUND TABLE appears, visitors to the Exhibition will have nothing to complain of unless it be the limitations of the human body.

Space forbids any comment in detail, nor is it necessary to describe here what the newspapers have lavishly described and photographed. The diversity of the Commonwealth could not be more attractively, faithfully, and in some ways more startlingly pictured than it is at Wembley. There are those who complain that imagination is not the stay-at-home Englishman's strongest qualification for membership in the romantic enterprise which his fathers set on foot. They will have reason to be glad of this masterly visualisation of history and geography which has been set down in the suburbs of London. They will also have heard with satisfaction that it is to be the objective during the year of thousands of schoolchildren from all over the country. There are those, too, who will suspect that an exhibition is a flaring thing, an Empire Exhibition especially. They need have no forebodings. They will find that Wembley has combined cheerfulness with dignity. Not the least gratifying thing to record of it is that it has surpassed expectations, not in substance only, but in form.

# The Labour Party and Agriculture

## II. THE LABOUR PARTY AND AGRICULTURE

**S**PEAKING at a recent meeting of the Farmers' Club, the Vice-Chairman of the Linlithgow Committee, Mr. Hurd, described all three parties as laboriously groping for a remedy for the difficulties of agriculture, and applied to them, amid laughter, the nursery rhyme: "Three blind mice, See how they run!" He went on to say that there could be no dramatic moment "when some great man, a political leader, will announce a solution for the difficulties of British Agriculture, and all be well." The prime business of Parliament was to clear away the obstacles in the farmer's and farm-labourer's path in working out their own salvation.

While this is—not perhaps without reason—the considered opinion of most farmers, it was not to be expected that the Labour party would take a similar view. The latter might agree that past legislation had failed; but future legislation—Labour legislation—would not be handicapped by the preconceptions of the old economic and social system. A committee of the Independent Labour party, under the chairmanship of Mr. Ernest Hunter, the able secretary of the I.L.P. Information Committee, was accordingly appointed to prepare a report embodying a comprehensive Socialist agricultural policy. This report, the product of "more than a year's hard work," was approved by the Annual Conference of the I.L.P. at York on April 22 last. It has since that date been published as an appendix to a longer document, described as "an explanation and amplification" of the report itself; the two documents together forming a pamphlet entitled *A Socialist Policy for Agriculture*.\*

Before examining this policy it is well to ask what binding force it has upon a Labour Government. A dis-

\* Published by the I.L.P. Information Committee, 11 Adam Street, Strand, W.C.2. Price sixpence.

## United Kingdom

tion must, of course, be drawn between the practical policy of such a Government and the "book Socialism" of the I.L.P. But the distinction is not too easily drawn. The Prime Minister, addressing the York Conference as a member of the I.L.P., said that "he could not assure them that the Labour Government would always do what they wanted it to do." Nevertheless, he did not repudiate the description of his Government as a Socialist Government, though he preferred the epithet of Labour to that of Socialist because of its sentimental associations. Mr. Clifford Allen, the Chairman of the Conference, in his opening address, supported on the platform by several members of the Government, was more explicit. The I.L.P. was, he said, organised for propaganda, and the Government for government, but they were "two instruments in one movement"; he urged the Party to "give our Government opportunities to work out the detailed application of our programme." It was, moreover, made clear at the Conference that the policy embodied in the report would be used as political propaganda in the agricultural constituencies. In the absence of contradiction it must be concluded that it represents the policy which a Labour Government in possession of an absolute majority would attempt to carry out, and points the direction in which the present Government is expected to move.

The Agricultural Report has to be taken in conjunction with the land Policy, formally adopted at the same meeting. "A Socialist policy," says the report, "must provide for the nationalisation of the land. . . . To provide the alternative for the present system of management by private owners, the agricultural industry must be furnished with a guild structure." The land Policy must, therefore, wait for the agricultural policy; but, as the latter is framed to lead up to the former, it will make for clearness if we consider the land Policy first.

The Socialist land Policy, then, lays it down that all land and capital should be communally owned. The

## The Labour Party and Agriculture

transition from private to public ownership is to be affected "with as little cost as possible to the community." It is, however, recognised that "pending the development of public opinion in favour of the Socialist ideal" it may be necessary to use the method of acquisition by purchase as a temporary expedient. The purchasing fund is to be derived from five sources: taxation of land (site) values, revenues of State-owned land, death-duties, taxation of increment values, and income tax (Schedule A). Nothing is said of the purchase price; but it is suggested that a proper method of payment would be "the issue of land-stock bearing interest at gradually diminishing rates which would finally terminate." It is not stated whether buildings and improvements will be paid for. The land value tax is to be "regarded as a means of collecting the economic rent for the community." From the agriculturist's point of view, however, the tax does not much matter, since land in cultivation which has no building value is to be exempt from the tax (not, of course, from nationalisation). All land acquired by the State is to be managed by a Minister of Agriculture and Land, with power to use local authorities, county agricultural committees, and other public bodies as agents.\*

The Socialist Policy for Agriculture, while it looks forward to the national ownership of all land, is designed to come into operation under the existing economic system, and provides the machinery for transforming the structure of the industry by degrees. In the words of the report "it brings the land at once under public management, and provides for its nationalisation." The policy, as stated in

\* *New Leader*, April 4, 1924; report of proceedings at York in *The Times*, April 23. According to the report in the *Manchester Guardian* of the same date, Captain Reiss, in introducing the Land Policy (which exists only in skeleton form), explained that a longer and more detailed report would be forthcoming later.

The reconstitution of the Land Valuation Department, promised by Mr. Snowden in his Budget speech, may or may not be a first step towards the full policy.

## United Kingdom

the longer of the two documents which compose the pamphlet already mentioned, does not differ materially from that of the shorter report. Our *résumé* follows the longer document, which is the more reasoned and in some respects the more moderate statement of the two.

It opens with a short introduction affirming the existence of a world-wide agricultural crisis, due to the drop in world-prices, to under-consumption caused by low wages and unemployment, and to the ruin of Central Europe. It points out the importance of arresting the decline of arable farming in the interests of the urban workers, whose employment and standards of living are threatened by the drift of workless labourers into the towns. "It should be the steady object of a national policy to stimulate the production of food at home."

Section I analyses *The Decline of British Farming. Laissez-faire*; the encouragement of small-holdings (an "economically retrograde" policy); starvation of research; lack of capital and credit; the small average size of farms; \* the backward state of co-operation; high profits of distributors; unintelligent landlordism; depression of labourers by the tied cottage system; these are the chief causes adduced. The section concludes:

First and most urgent among our motives for action is the necessity of raising the rural worker above his present level of poverty and dependence. Our proposals involve drastic interference

\* See THE ROUND TABLE No. 51, pp. 554 and 555. It will come as a surprise to many to find Labour advocating the large farm. The reasons cited are purely economic. There is some evidence for a contrary view. Dr. A. G. Ruston, of the Agricultural Department of Leeds University, from an analysis of the accounts of 52 Yorkshire farms of all sizes and types, costed through his department, for 1922, drew the following conclusions: "As far as our results go, it would certainly appear as if the most productive type of farm, and the one from which the best economic returns may be expected, is one of approximately 150 acres. The farm of about 150 acres left an average profit of £3 10s. 4d. an acre; those of 250 acres a profit of 4s. 11d. an acre; small holdings an average loss of 17s. 5d. an acre, and large farms of over 300 acres an average loss of 19s. 2d. an acre." (*Journal of the Farmers' Club*, Part 3, April, 1923, p. 40.) But it must be admitted that the basis of this analysis is not wide enough to support a general conclusion.



## The Labour Party and Agriculture

with the accepted rights of property and with the traditional individualism of farmers. Farmers, however, if they call for help, must be prepared to accept control; our study has been to make it as little bureaucratic as possible.

Section II is entitled *Economic Reorganisation*. An Agricultural Bank is to be set up for the supply of credit and capital to co-operative societies and to individual farmers, "as long as such farmers remain."\* But the chief new engine of prosperity is a central importing agency, or "Chartered Board of Supply." This Board

must not be subject to the hampering bureaucratic trammels of a Government in its daily routine. It should be as free to manage the details of its own trading operations as a private concern would be. On the other hand, the broad outline of its policy, its estimates and the calculations upon which they are based, must be submitted for approval to the Ministry of Agriculture. . . . It would be entrusted with a monopoly of the importation of wheat, wheat flour and meat. . . . It would aim at long term contracts with large groups of producers abroad and in the Dominions.

The Board is to estimate the average world-price for three or five years ahead, and then to fix either a single selling price for each of its own imports, or an upper and lower limit of price. The resulting stabilisation of prices will, it is suggested, give security to the farmer; who will also be assured of selling his wheat, since only enough imported wheat will be released to the millers to make up the deficiency in the British harvest. More than this, the vast operations of the Board will, it is anticipated, mean an immense economy; and the profits realised thereby will be used in the development of agriculture and for rural housing and education. It is argued that occasional bad years will be more than compensated by the continuing character of the transactions in which the Board will be engaged; and that, even if the world-harvest were to fail and the losses of the Board had to be made good by the Exchequer, that would be better than the existing system,

\* The words placed in inverted commas are taken not from the published pamphlet, but from Mr. Hunter's speech at the York Conference.

## United Kingdom

under which the loss is borne by those least able to meet it. It is further argued that the scheme is the only answer to the tendency of the producers to combine together.

A department of the Board (or a similar detached Board) will conduct the business of the wholesale supply of milk and milk products, after the existing combines have been bought out by the State, and will monopolise the importation of milk products. The retail milk trade will be municipalised.

Section III treats of *Farming as a National Service*.

The ideal is that the industry itself . . . should manage the land which the nation will own. Before this can be done the industry must be organised and educated to exercise its function. . . . One cannot create a guild by Orders in Council. The immense transition has to be made as rapidly as possible, from a small-scale capitalist to a large-scale co-operative industry. The inner change in the farmer's outlook is as necessary as the outward change in the ownership of his acres.

The method recommended is the resurrection of the County Agricultural Committees. These are to consist in three equal parts of nominees of the Farmers' Union, and the Labourers' unions, and of "experts" nominated by the Ministry of Agriculture—the last third to include two or three nominees of the County Councils. The main functions of the Committees are "to promote better husbandry, to act for the Ministry as the local authority for the management of agricultural land, and to promote every form of agricultural co-operation." They are to have power to dispossess inefficient occupiers and landowners,\* to veto all changes or renewals of tenancy, to impose or object to conditions in a tenancy, and to farm or let for farming the land taken over from dispossessed occupiers. Ultimately they will become the direct managers of all agricultural land.

\* "The failure of the occupier will be held to imply also a failure of the owner to exercise his function of land-management." (*A Socialist Policy for Agriculture*, p. 18.)

## The Labour Party and Agriculture

The County Committees will be represented on separate National Councils of Agriculture for England, Scotland, and Wales. The functions of these three super-Councils are not defined. They are to elect a single smaller advisory Council, which will have the right of seeing agricultural Bills and the Budget of the Ministry in draft, and of publishing its observations. At the head of the whole structure is the Ministry—"the directing brain of the industry"—with power to dissolve a County Committee and to replace it by the Ministry's own officials.

Section IV is devoted to *The Workers' Conditions*. It recommends for England and Wales the restoration of the Wages Board and of the County Committees with the full powers which they possessed under the Corn Production Act. A national housing scheme must provide "for about 200,000 new cottages in England and Wales, and about 75,000 in Scotland." An end must be put to "the great evil of tied cottages." Electric light and water must be supplied in the villages.

Section V contains a number of miscellaneous recommendations. Land Courts in every county are to fix fair rents, hear compensation cases ("when a tenant's rights are in question") and decide all questions arising out of compulsory purchase. Other paragraphs deal briefly with game, research, technical education, electrical power, transport, rating, and the retail trade. Space prevents further account of the proposals under these heads; they are of a very general character.

Such, in bare outline, is the policy to which Labour hopes to convert the agricultural constituencies. It will be observed that, while subsidies and tariffs are explicitly rejected, the operations of the "Board of Supply" involve a very thorough-going measure of protection. Another comment which may suitably be made here is, that the insistence on co-operation hardly seems compatible with the suppression of private farming. Co-operation as it is understood in the countryside is a safeguard to private

## United Kingdom

farming ; in the report it appears as a stage in the transition from private management to guild management. That private farming is intended to disappear there can be no question. But not all at once. Some hot-heads at the Conference could not see why the farmer should be allowed even a minority representation on the Committee, which is to tell him how to farm his land. Mr. Hunter explained the position. "After all," he said, "at the present time the farmers were the people who had practical experience of working the land, and until they had a much more extended system of agriculture and the control of the community was much greater, the Socialist State would be bound to take the farmers into consideration."

The constructive proposals of the present Government are, at the time of writing, only two in number. The first is the plan of encouraging farmers' co-operative societies by means of loans through the Ministry of Agriculture—agreed to with the Supplementary Estimates. The second is the Agricultural Wages Bill, of which the text was published on April 15.

Mr. Buxton's co-operative loan scheme is designed to carry out the recommendations of the Committee appointed in December 1922 by the then Minister of Agriculture to enquire into the Distribution and Prices of Agricultural Produce, and presided over by the Marquess of Linlithgow. It is therefore in no sense a specifically Labour proposal ; but it is in conformity with the Labour policy of stimulating co-operation. The Ministry will lend, up to £10,000, half the amount necessary to extend and improve the premises and plant of societies already engaged in the sale, preparation and manufacture of farm products ; or half the amount necessary to start a new society. A standing Advisory Committee at the Ministry will deal with applications for loans. Advisory marketing officers, attached to the Ministry, will give expert advice on the formation and management of the societies. Bacon factories, milk-collecting depots, and creameries were stated by Mr.

## The Labour Party and Agriculture

Buxton to be the three kinds of enterprises he had chiefly in mind. Larger sums than £10,000 may be advanced to big undertakings under the Trade Facilities Act.

These proposals were well received in the House of Commons; but it is too early yet to say what influence they will have on the co-operative movement, and through that on agriculture. The Linlithgow Committee are careful to say in their final report (p. 33) that "co-operation is emphatically not a panacea for all the woes and ills that beset agriculture to-day." The Labour Committee evidently take a much more optimistic view, though they too would no doubt fight shy of the word "panacea." The chief criticism made in debate was that the proposals would do little to help the very branch of agriculture which is in the greatest need of help—arable farming. The debates (February 28 and March 4) traversed much of the ground covered by the Hunter Report. One instructive divergence of view presented itself. Sir Leslie Scott supported co-operation as "the only way of keeping the small man on the land." Mr. Edwards, the Labour member for South Norfolk, spoke in the same sense. The Hunter Report, on the contrary, while it favours co-operation, is opposed to small holdings and small farms.

The Agricultural Wages Bill is definitely a Labour measure, and bears every sign of being a first step along the route marked out by the Hunter Report, which says that "the first aim must be to bring about an immediate increase in the labourer's wages" and that the needs of the labourer "must be regarded as a first charge on the industry."

The Bill sets up an Agricultural Wages Board for England and Wales, and an Agricultural Wages Committee in each county or group of counties. The committees are to fix minimum rates for time-work, and (if they think it necessary) for piece-work as well. Special rates may be fixed for special classes or areas. Infirm or disabled workers may be permitted to work at lower rates. All rates must be confirmed by the Wages Board, which may request the

## United Kingdom

Committees to fix, cancel or vary any rate, and can override them, if they refuse. The Minister may direct the Board to reconsider any rate.

The Committees are to consist of employers and workers in equal proportions, with a chairman appointed by themselves and a secretary appointed by the Minister. The Board is to be composed of the same elements in the same proportions, *plus* nominees of the Minister up to one quarter of its total strength. It is left to "regulations" to settle how the remainder of the Board, as well as the Committees, are to be appointed.

Officers are to be appointed with wide inquisitorial powers, to secure the observance of the Act. An employer, or his agent, who is summarily convicted of paying less than the minimum rate, may be fined £20 and £1 for each day on which the offence is continued after conviction; and whether he is convicted or not, the Court shall order him to pay arrears of underpayment for the previous six months. The employer must keep records of wages paid, and can be fined for not doing so. For hindering an officer, or refusing him information, or for giving him false information, the penalty is a fine of £20, or imprisonment up to three months, or both.

These are the chief features of the Bill as it stands. It has already excited warm opposition. Criticism is directed upon the bureaucratic organisation, which gives overriding powers to a Government Department; upon the injustice of weighting the farmer with an increased wage-bill, without assisting him first to find his own feet; and upon the elaborate machinery provided for inspection and punishment. The Hunter Committee, it may be noted in this connection, reported that, according to evidence received by them, while the Wages Board was in being, the principle of the "guaranteed week" was not always observed.\* Only an official inquiry can show whether there was so much evasion as to justify the provisions of the new Bill.

\* *A Socialist Policy for Agriculture*, p. 22.

## INDIA

### *THE NEW LEGISLATURES*

#### I. ATTITUDE OF THE SWARAJ PARTY

THE meetings of the new Legislatures, central and local, were awaited with great interest by all shades of political opinion in India. For the first time since the passing of the last Government of India Act, a considerable proportion of the electorate had recorded its vote. Moreover, the successful candidates in many cases were men who had come to great prominence in the public life of the country through their association with Mr. Gandhi's movement of non-cooperation. And while the Swaraj party had made it plain in a manifesto published last autumn that they were still non-cooperators to the extent of desiring to wreck the constitutional system into which they were seeking entry, the upshot of the elections seemed to cast doubt upon the practicability of their programme. In one Province only did they possess an absolute majority in the Legislature. Elsewhere, although they had been successful in displacing their Liberal opponents, they had to reckon with Independent and Landlord elements in strength greater than their own. Indeed, in the Punjab, Madras, the United Provinces, Bihar and Orissa, and Bombay, the Swarajists could only reckon upon a minority of the elected members. In Bengal, their position was somewhat stronger, for Mr. C. R. Das' draft Pact encouraged prospects of a coalition with certain



## India

Independent elements, principally Mahomedan in complexion, which would secure them a majority in the House. In the central Legislature the Swarajists counted some forty-five adherents in the Lower House ; a figure which brought them only to an approximate equality with the Conservatives, the officials and the nominated members taken together.

The Swarajists gave early proof that where circumstances were in their favour, they proposed to indulge in wrecking tactics. In the Central Provinces, after having demonstrated their unwillingness to accept office as Ministers, the leaders of the party proceeded to vote down every Government measure indiscriminately. They also carried a vote of want of confidence against the Ministry ; following this up at a later stage by the refusal of supplies and the fixing of ministerial salaries at the ridiculous figure of Rs. 2 per annum. As a result of these tactics, they have compelled the authorities to take over the administration of the transferred subjects to the extent necessitated by irreducible provincial requirements, and have accordingly virtually terminated the Dyarchal system. Elsewhere, however, as we shall have occasion to see, their success has been less striking ; and the fact that they have been compelled to base their tactics upon the support of other blocs has been responsible for a modification of their original programme. This will be more clearly apparent, from a brief recapitulation of the course of events in the Central and Provincial Legislatures during the first session of the new Councils.

## The Central Legislature

### II. THE CENTRAL LEGISLATURE

OF the two bodies which together make up the embryo Parliament of India, the Council of State, owing to its longer life, has persisted unchanged. But in the Lower House, where, in point of fact, popular interest and popular attention are more largely centred, the recent elections have produced some striking alterations. The Liberals and Moderates, who had been responsible for launching the new constitution, were not of the type from which Indian political opinion selects its popular idols. In the new House there was a powerful phalanx of those distinguished leaders whose daily activities are so dear to the vernacular Press. There was Pundit Madan Mohan Malaviya, the veteran antagonist of Government on many fields; there was Pundit Motilal Nehru, for long a leader in the non-cooperation camp, and now the accepted spokesman of the Swaraj party. There was Mr. Patel, a life-long supporter of the Congress, whose uncompromising opinions have endeared him to the hearts of the younger generation. There was Mr. Bepin Chandra Pal, a survivor from the days of the anti-partition agitation in Bengal. There was Mr. Jinnah, perhaps the most prominent Mahomedan politician in India, who, despite his dislike of non-cooperation, had hitherto rigorously held himself aloof from the new constitution. To these must be added a comparatively small number of the men who had made their name in the first Assembly, such as Mr. Rangachariar, Dr. Gour and Sir Shivaswami Aiyer, and certain distinguished representatives of special interests, of whom the most notable was perhaps Sir Purshottamdas Thakurdas. But a remarkably large proportion of the new House consisted of young men, some of whom seemed from their appearance to have left college but a few years ago. By profession, the second Legislative Assembly, like the first,

## India

was a gathering of lawyers. So far as could be ascertained at the time of its opening, the Swarajists numbered some forty-five votes, as against forty-six Conservative and nominated members, and about thirty-eight Independents.

### III. LORD READING'S SPEECH

ACCORDING to precedent, the Viceroy addressed a joint session of the Council of State and of the Legislative Assembly prior to the commencement of ordinary business. Since Lord Reading's speech has been reported in considerable detail by the daily Press, it will be unnecessary to refer to it at any length in this place. It is necessary, however, in view of what follows, to remind ourselves that the Viceroy laid down in emphatic terms the proposition that the policy of reform in India was the policy of the British nation and not of any party. He referred to the disposition, existing in some quarters in India, to believe that the hand of the British Parliament could be forced by creating a situation which would cause that body to act contrary to its better judgment. Lord Reading warned the Assembly in the clearest terms that the only action which could prevail with the British people was that based on reason and justice. The successful issue of reforms, he said, could not depend solely upon the intentions of His Majesty's Government and of the Government of India. It must depend largely upon the people themselves and upon the conduct of the Legislature. He concluded his speech with an appeal for mutual understanding and good-will.

## Formation of the Nationalist Party

### IV. FORMATION OF THE NATIONALIST PARTY

AS has already been indicated, the Swarajists entered the Montagu-Chelmsford Councils with a clear-cut policy in their minds. Failing immediate constitutional advance of a kind satisfactory to themselves, they were pledged by their election manifesto to obstruction and deadlock. But their strength in the Legislative Assembly was not such as to enable them to carry out their intentions, unless they could secure a sufficient number of allies to form a majority in the House. From the Conservatives and from the officials they could hope for little. They therefore naturally turned to the Independents. They found their opportunity in the fact that a resolution had been tabled by a distinguished Independent, Mr. Ranga-chariar, recommending the Governor-General-in-Council to take steps to revise the Government of India Act in such manner as to secure for India full self-governing Dominion status within the Empire, and Provincial autonomy in the Provinces. While this resolution, which commanded the support of a considerable number of Independents, was not sufficiently radical to commend itself to the Swarajists, it did, none the less, provide a bridge between the two groups. Accordingly, between February 3 and 7, a series of conferences were held at which both Swarajists and Independents were present. It was quickly found that there was universal approval of the proposition that full responsible government should immediately be established in India, with the reservation that matters falling within the provinces of the Army, foreign relations and the Indian States, should for the moment at least be excepted. A sub-committee consisting of three Swarajists and three Independents was appointed to consider the details of this demand ; with the result that by February 6 a coalition of some seventy members had been formed. It was agreed that if the

## India

Government made no satisfactory response to the resolution demanding immediate constitutional progress, a joint policy of obstruction would be initiated by the combined forces of the Swarajists and the Independents. A formal declaration to this effect was drawn up. It was signed by each member of the new group. At first sight it may well seem somewhat strange that the Independents, who comprised a considerable proportion of men holding views by no means extreme, should have been content to bind themselves, as it were, to the tail of the Swarajist chariot. It seems clear that the Independents were animated by three considerations. In the first place, they were as keenly interested in immediate constitutional advance as were the Swarajists themselves, and were naturally anxious to enlist the aid of the compact and well-disciplined Swaraj bloc in carrying the day against possible official opposition. In the next place, the majority of them strongly disapproved of the wrecking tactics outlined in the Swarajist manifesto of last autumn; and being firm in the conviction that the new Labour Government would before long take some important step to advance Indian constitutional liberties, they believed that their close alliance with the Swarajists might serve to prevent or at least to postpone such disastrous happenings as those which were occurring in the Central Provinces. Finally, they realised that they held the balance of parties, and they believed that as a price of their aid they would be able to control to a considerable degree the attitude of the Swarajists on the floor of the House. Moreover, while they did not believe in wrecking tactics, they saw no harm in pursuing a policy of "no supplies without redress of grievances" and obstruction of the Parnellite kind. In all this, as was subsequently apparent, they reckoned without their host. They stipulated that obstruction should never be launched unless it was agreed to by three-fourths of the new party. They did not, however, foresee that the notable discipline of the Swarajists would practically ensure a command of the necessary majority in

## The Position of Government

any meeting hastily summoned ; nor did they reckon upon the strength of the Swaraj organization outside the Assembly, which was shortly employed for the disconcerting purpose of putting steady pressure to bear upon recalcitrant Independent members by means of public meetings, newspaper criticism, and other manifestations of popular displeasure within the very constituencies for which these members sat. It must be placed to the credit of certain of the more far-sighted Independents, notably Sir Purshottamdas Thakurdas and Mr. Bepin Chandra Pal, that they firmly refused to compromise their future action by setting their hand to the pledge which united for a specific, if curiously elastic purpose, the somewhat heterogeneous members of the new group which became known as the "Nationalist party."

### V. THE POSITION OF GOVERNMENT

WHILE the Opposition was being thus skilfully built up, Government could do little to strengthen its own forces. It was plainly necessary to take up a definite attitude of some kind or other in regard to the demand for the grant of Dominion status. But the matter was after all one for Whitehall rather than Delhi to decide ; and when the Labour party had assumed office scarcely a few hours since, it was not easy for the Government of India to discover precisely where it stood. This much at least was certain. Whatever announcement could or could not be made within the next few days, it would obviously be inadequate to satisfy the demand of the Opposition. For, as we have seen, both Independents and Swarajists stood solidly united in their desire for an immediate and radical change in the constitution ; and however much they might differ among themselves as to the measure and manner of immediate advance, they would obviously agree in rejecting as inadequate any concession which seemed to the Govern-

## India

ment of India to fall within the realm of practical politics. The position of the Administration was, it is true, strengthened at this moment by its action in releasing Mr. Gandhi in deference to medical opinion. But this of itself went no very long way, inasmuch as the number of resolutions tabled for discussion which demanded this step, produced a suspicion that it was being taken only under popular pressure.

### VI. THE DEBATE ON CONSTITUTIONAL ADVANCE

THE pivotal episode of the session was the debate on Mr. Rangachariar's resolution, and the amendments thereon. As a result of the ballot, this resolution should have been moved on February 4; but as neither the Government nor the Opposition were ready to take up the matter so early in the session, it was postponed by mutual agreement till February 8. As ultimately discussed, it occupied three whole days, being successively adjourned to February 13 and 18. By February 8, however, the attitude of both sides of the House was clearly defined. The Nationalist party, while not calling upon Mr. Rangachariar to withdraw the resolution in the form in which he had tabled it, had agreed to throw their weight in support of an amendment standing in the name of Mr. Motilal Nehru. This amendment called for the convening of a round table conference to draft a scheme for full responsible government in India. The scheme so formulated was to be submitted to a newly elected Assembly for its approval, and thereafter to be presented to the British Parliament for embodiment in a statute. The attitude of Government, which had by this time received instructions from Whitehall, was defined with equal clearness. Sir Malcolm Hailey, Home Member and Leader of the House, announced that the transference at an early date to the Indian Legislatures of the responsibility for the government of India at present exercised by the



## The Debate on Constitutional Advance

British Parliament, was not contemplated. It was not to be supposed, he said, that the British people would be lightly inclined to consider changes in a scheme laid down only three years ago, which had been carefully devised with a view to the progressive realization of responsible government. The authorities would undertake an official examination of the defects of the present delicate machinery. These defects it would be their aim to remove either by expansion within the Act, or even conceivably by changes in its structure. He made it clear that if the enquiry revealed the possibility of advance within the four corners of the existing constitution, recommendations to this effect would be made. On the other hand, if no advance was possible without an alteration of the constitution, the question of further progress must be left as an entirely open and separate issue. The Government of India would ask the Secretary of State to allow the fullest public discussion of any proposals which might be formulated when these conclusions were presented to Parliament.

As the debate proceeded it became clear that there was no possibility of *rapprochement* between the official and non-official sides of the House. The mover of the original resolution argued that while Army affairs and foreign and political relations should at present be excluded, the Indian Legislature should be entrusted with complete responsibility in matters of domestic concern, including law and order. Mr. Rangachariar expressed himself as being indifferent to the precise manner in which the change was brought about, he did not mind whether the machinery employed was a Royal Commission or a round table conference. But when after the conclusion of the mover's speech, Sir Malcolm Hailey announced the official standpoint, it was plain that even the more moderate minded of the Independents were deeply disappointed. Full advantage of Government's failure to meet non-official opinion was taken by Mr. Motilal Nehru when he moved his amendment. He did not ask for responsible government

## India

to be handed over, as it were, tied up in a bundle ; he was only concerned to ensure that a round table conference, or some such body upon which Indian opinion was represented, should be summoned to revise the Government of India Act. He stated that he and his party had come into the Councils to co-operate with Government, at least within the walls of the Chamber ; but if Government refused to listen to them, they would continue as non-cooperators.

During the three days devoted to the discussion of the resolution, speaker after speaker, on the non-official side, emphasised the unanimity with which all sections of politically minded India combined to demand immediate and substantial political advance. Some of the most impressive appeals came from such men as Sir Shivaswami Aiyer, who, while dissociating themselves from the motion to call a round table conference, dwelt upon the hostility now manifested by the people of India towards the Administration, urging an immediate change in the existing constitutional machinery before this hostility spread into an irrational hatred of all things British, such as would work irreparable damage to the Indo-British connection. On the non-official side the only dissentient voices were those of certain representatives of minority communities. These speakers, for the most part Musulmans, urged that the settlement of communal differences must precede further constitutional advance. Particularly interesting was the contribution of Captain Hira Singh, a representative of the martial classes. This distinguished officer stated that the Indian Army could for the present at least be controlled by no other agency than the existing higher command. Until such time as his countrymen were able not only to fill high administrative positions in civil life, but also to control the complicated and powerful machine of the Army, he regarded further advance in the direction of complete self-government as being attended with the gravest risk.

Speakers on the Government side did not fail to take advantage of the discrepancy between the Swarajist

Subsequent Conduct of the Nationalist Party declarations outside the Council, and their conduct since they had become allies of the Independents. So damaging was this attack that Mr. Patel was stung into a clear declaration that the Swarajists had never accepted the preamble to the Government of India Act, making the British Parliament judges of the time and measure of Indian constitutional advance. But official criticism missed some of its effect from the fact that the Independents and the Swarajists were well aware of their own fundamental differences. The Nationalist party had been constituted to operate within the House, and within the House only. The Independents were therefore unconcerned with the policy of the Swarajists and were not to be detached from the Nationalist party by any exposure of the true aims of their temporary allies. Further, Sir Malcolm Hailey's able attempts to demonstrate the impossibility of granting full responsible government to India when such grave questions as the position of the Indian States, the communal differences now rending India asunder, the problems of defence and the position of minorities, all remained unanswered, produced but little effect upon the voting since Mr. Motilal Nehru rejoined that these were precisely the questions his proposed round table conference was to investigate. Mr. Rangachariar finally withdrew his resolution in favour of Mr. Motilal Nehru's amendment, which was carried by 76 votes to 48, practically all the elected members of the House entering the lobby in its support.

#### VII. SUBSEQUENT CONDUCT OF THE NATIONALIST PARTY

THE effect of this debate upon the subsequent course of the session was very marked. The Independents and such Liberals as were present in the new House were profoundly disappointed. They had confidently reckoned on some concession far more dramatic and far more satisfactory to political India than the official enquiry into the

## India

working of the present constitution which was the utmost measure of immediate advance that His Majesty's Government was prepared to sanction. For the remainder of the session, the Independent section of the Nationalist party was very largely dominated by the Swarajists, whose admirable party discipline was successful in securing a working majority in the party conclave, and whose efficient whips were successful time after time in bringing the hesitants to heel. These achievements must be pronounced the more remarkable since they were accomplished in the face of considerable difficulty. On February 19, the very day after the triumphant carrying of the self-government resolution, the unity of the party was threatened by a resolution moved by an Independent Mahomedan member to secure higher proportional representation for Mahomedans upon the central and Provincial Legislatures, and in the cadres of the various Government services. A proposition appealing so directly to communal sentiment might well have imposed a fatal strain upon party discipline, and it was only the personal appeal of Mr. Motilal Nehru that secured the postponement of the discussion *sine die*. There was a further and a graver obstacle to be surmounted by the Swarajist leaders. Mr. Gandhi, whose slowly returning health was naturally accompanied by a reviving acquaintance with the intricacies of current Indian politics, had expressed himself in a published letter as adhering to his original plan of a triple boycott. It was therefore necessary for the heads of the Swarajist party to approach him directly with the request that he would at least allow them for the present to continue as members of the central and local Legislatures, pending his final decision upon the considerations which, they alleged, had induced them during his incarceration to depart from his expressed behest. Mr. Gandhi, influenced by the fact that he was still far from being in health, agreed; but subsequent to the termination of the session, the discussion between the Swarajist leaders and himself has been resumed; and

## The Sikh Situation

at the moment of writing it is still impossible to say whether the party will be allowed to remain within the Legislatures, while retaining for themselves the prestige attaching to those of his followers whose conduct meets with his approval.

For the moment, however, the danger was averted, and Swarajist leaders in the Assembly soon found it possible to advance upon less delicate ground. They were successful in defeating Government upon a motion to facilitate the return to India of Mr. B. G. Horniman, who had been deported some time previously by the Bombay Government. They were also successful in carrying a motion for the appointment of a committee to investigate the grievances of the Sikh community.

### VIII. THE SIKH SITUATION

FOR some time the Sikhs have been in a disturbed condition. Within the last three years a bitter quarrel has sprung up between different sections of the community regarding the possession of the many shrines of the Sikh faith which are freely scattered over the Punjab. For the most part these shrines have been for generations in the possession of followers of the earlier Gurus, who constitute a community which differs but little from those who profess orthodox Hinduism. The followers of the later Gurus have constituted themselves into a reforming sect, whose professed aim it is to dispossess the occupants of the shrines for the benefit of the community at large. Upon the policy of the reformers the non-cooperation movement has exerted great influence; so much so indeed that they adopt the method of dispossessing the hereditary incumbents of the shrines by nominally "peaceful" mass pressure rather than have recourse to the processes which the ordinary law affords. Disorders have arisen, and Government has been compelled to intervene. A violent and unscrupulous

## India

propaganda has by now convinced the majority of the Sikh community, whose sympathies are with the reformers, that Government is acting in a manner hostile to the progress of the Sikh religion. Fuel has been added to the flame by the abdication last year of the Maharaja of Nabha, who was regarded as a friend by the reformers, consequent upon a quarrel with his neighbour, the Maharaja of Patiala. By way of showing their disapproval of the share which they imagine the authorities have had in the Maharajah's abdication, bands of Sikh reformers have been in the habit of invading Nabha territory—now under an Administration—for the alleged purpose of worshipping at the shrine of Jaito. In order to safeguard local peace and order, the Nabha State authorities have imposed certain conditions as to the number of persons who may enter Jaito, and as to the duration of their stay. In February the reforming Sikhs attempted to try conclusions with the State by marching into Jaito several hundreds strong. Unfortunately, the demonstrators were joined by a large and disorderly mob, whose conduct was so threatening that the State authorities were compelled to open fire, causing casualties reckoned at some 20 dead and 30 wounded. Needless to say, this occurrence excited much feeling in India, and in the Assembly both Swarajists and Independents alike joined in denouncing Government, whose mal-administration, it was urged, had rendered the tragedy possible. Owing to the rules of business which govern the discussions of the Legislative Assembly, direct cognisance could not be taken of the Jaito affair, which occurred in Indian State territory; but the feeling aroused thereby was unquestionably of service in further consolidating the diverse elements of the Nationalist party.

## The Financial Statement

### IX. THE FINANCIAL STATEMENT

CONSIDERING the temper of the non-official side of the House, due first to the general disappointment at what was regarded as the unsatisfactory response of Government to the demand for constitutional advance ; and, secondly, to the realization that the Nationalist party possessed a clear majority over all other sections of the House, the treatment accorded to the Budget, though regrettable, is scarcely surprising. It was plain from the first that the Budget would not be considered upon its merits, but would be treated merely as another opportunity of voicing popular dissatisfaction against Government policy. Curiously enough, the Budget, when presented on February 29, proved to be the most satisfactory which had been shown for several years. The figures for 1923-1924 showed virtual equilibrium, while for 1924-1925 a surplus of 3 crores and 36 lakhs was estimated. The Finance Member himself favoured the utilisation of this surplus first to reduce the salt tax from Rs. 2.8 to Rs. 2 per maund of 82 lbs., and secondly to reduce the contribution payable to the Central Government by Madras, the Punjab, the United Provinces and Burma, by 80, 38, 30 and 2 lakhs respectively. The relief thus afforded to these Provinces would, it was hoped, enable more funds to be devoted to nation building departments, such as education, public health, and the like, upon the fostering of which the success of the reforms so largely depends. But, the Finance Member continued, the Government of India were prepared to leave the final decision as to the disposal of this surplus to the Assembly, who might choose whether they would indulge in the luxury of a salt tax reduced to the low figure of Rs. 1.4, or whether they would prefer a salt tax at Rs. 2 together with relief to the Provinces.



## India

### X. LORD OLIVIER'S STATEMENT

THREE days before the presentation of the Budget the new Secretary of State for India had delivered an important statement in the House of Lords, which finally crystallised the attitude of the non-official members of the Assembly towards the Budget. The general tone and temper characterising Lord Olivier's speech were not such as to commend it to non-official opinion in India. Further, a somewhat unguarded reference to the salt tax, and an erroneous account of the circumstances in which the Maharajah of Nabha quitted his throne—both subsequently corrected and explained—provided opportunities for non-official exploitation which caused some consternation to the Treasury benches. But despite the obvious friendliness inspiring the Secretary of State's remarks, his insistence upon constitutional and ordered progress in Indian affairs, coupled with his plain adherence to the attitude already taken up by His Majesty's Government, further increased the disappointment of the Independent members. During the first week in March a number of meetings of the Nationalist party were held, as a result of which the majority came to the conclusion that the response made by the Government of India and His Majesty's Government to the demand for constitutional advance was unsatisfactory. The Independent members of the Nationalist party now awakened to the fact that they were committed, regardless of their individual convictions, to a policy of obstruction. The compact Swarajist vote in the party conclave enabled the leaders of the Swarajists to dictate the policy and conduct of the whole Nationalist bloc.

## The Fate of the Budget

### XI. THE FATE OF THE BUDGET

THE general discussion upon the Budget, which is the first stage of its consideration by the Assembly, was marked by an avoidance of the main issue, which was the disposal of the surplus. As in previous years, the majority of speakers concentrated upon the Army estimates, which were ably explained and defended by the Commander-in-Chief. There were also vehement denunciations of the "iniquitous" salt tax; and a demand that both relief to Provincial contributions and a reduction of the salt tax to the figure of Rs. 1.4 should be secured by greater economies in the spending departments. The Swarajists took practically no part in the general discussion. They seemed content to leave speech-making to the Independents. On March 9 they succeeded in committing the entire Nationalist party to a rejection of the Budget, and accordingly on March 10 Mr. Motilal Nehru moved the omission of the first grant which the Assembly was called upon to vote, namely, that dealing with customs. The refusal of supplies, he said, was a legitimate method of drawing attention to national grievances, and had nothing to do with the wrecking tactics of the non-cooperators. The Treasury benches endeavoured to show that such refusal of supplies was not only entirely unjustified by the circumstances, but was also a hollow mockery, since the non-official side of the House knew full well that the consequences of such ill-advised action would not fall upon the country, but would be obviated by the powers possessed by the Governor-General. Nevertheless, the demand under Customs was rejected by 63 votes against 56; and the Nationalist party followed up its success by throwing out the demands in respect of income tax, salt and opium. On the next day, doubtless as a consequence of pressure from the luckless Independents, Mr. Motilal Nehru

## India

announced that the Nationalist party would no longer pursue their procedure of obstruction. Accordingly for the rest of the week the discussion pursued its ordinary course, the only considerable reduction which was made being one of twenty-five lakhs in the railway budget as a protest against certain features of the administration in that department. But on March 17 the party again became active. Once more unwilling Independent members ranged in line. The unprecedented step was taken of refusing leave to introduce the Finance Bill, despite the fact that the majority of the demands for expenditure under the different departments had already been accepted by the House. Next day, March 18, the Bill was represented to the Assembly in a form "recommended" by the Viceroy. It was considerably emasculated, containing only those provisions which were judged by Lord Reading to be essential for carrying on the administration of the country. The salt duty was reduced to Rs. 1.4 per maund, and with the exception of the imposition of a duty on materials for match manufacture—required to safeguard the revenue—the financial provisions remained the same as last year. The Assembly repeated its former exploit and again refused leave to introduce the Bill, which thereupon went to the Council of State. The "elder statesmen" waxed sarcastic at the expense of their unpractical colleagues in the Lower House, and although the non-officials considerably outnumber the officials, the Council passed the Finance Bill with one single dissentient vote.

## XII. CONCLUSION OF THE SESSION

THE last important debate of the session took place on March 20, when a motion was put forward for the repeal of certain laws and regulations conferring special powers upon the Executive. The moment chosen was somewhat unfortunate; since there has been a lamentable

## Conclusion of the Session

recrudescence of the anarchical movement in Bengal—as evidenced by the murder of an unoffending European in mistake for a police officer, and the discovery of a bomb factory—and a recent prosecution in connection with alleged Bolshevik conspiracy. None the less, the Assembly manifested its distrust of the Executive by passing the resolution.

Shortly after this the House adjourned until May, when there will be a short special session to consider the report of the Tariff Board in connection with the demands for protection made by the iron and steel industry.\* Probably there will be no non-official business on the agenda, and hence but little opportunity for the carrying of resolutions against Government. There are distinct indications that the Nationalist party is breaking up. Many of the Independents appear to believe that they were exploited in the last session by the firm and skilful tactics of the Swaraj bloc. Moreover, there has recently been announced in the Press the constitution of a new party, already said to number 28 votes, which is definitely opposed to the obstructionist tactics pursued by the Swaraj leaders. In which connection it is as well to remember the possibility that the Swaraj party may in the near future be confronted with the alternative either of departing from the Councils or of cutting themselves off from Mr. Gandhi. They have set a remarkable example in the way of party discipline, and in the ruthless pursuit of well-defined ends. Whether they have served the real interests either of their party or of their country is a larger question, upon which readers of this narrative will doubtless come to their own conclusions.

\* The Tariff Board has reported in favour of discriminating protection for goods actually produced in India. Their proposals, which generally are limited to three years, would involve duties and in some cases bounties for a specific period, and also power to Government to meet the danger of foreign steel entering India at abnormally low prices. A Government Bill to give effect to this scheme has been published. (See *The Times*, May 15).

## India

### XIII. THE PROVINCIAL LEGISLATURES

THE achievements of the Swarajists in the Provincial Legislatures have been far less notable, with the single exception of their triumph in the Central Provinces. Of this a brief account has already been given. In the Punjab, in Madras, in Bombay and in Bihar and Orissa, there has been comparatively little out of the ordinary to attract the attention of the chronicler of current events. The Swarajists have made some strong speeches, but have been powerless either to obstruct or to form stable coalitions with their colleagues. In the United Provinces the landlords, who hold the balance of power, have not been above enlisting Swarajist support against the Government in matters directly affecting the interests of their own order. But they have done this deliberately, and are far from allowing any liberty to their allies. In Bengal, on the other hand, the Swarajists have formed a coalition which has given them a majority inside the House; and despite the warning addressed to them by the Governor, Lord Lytton, have succeeded by one single vote in refusing to grant salaries to the Ministers. They have also taken the politically dangerous step of reducing the grants for certain of the transferred subjects in such manner as to make the dismissal of several hundred Indian subordinate officials of the Education and Health Departments almost inevitable. It is not improbable that this will provoke a reaction against them.

India. April 1924.

## CANADA

### I. CURRENT POLITICS

THE opening of the third session of the present Federal Parliament found the King Government confronted with a rising tide of difficulties and perils. The Speech from the Throne contained evidence of a strategy planned to cope with the most imminent danger, defeat in the House of Commons, where the meagre majority of last session had completely disappeared. It offered a legislative menu obviously designed for the satiation of Progressive appetites, in the shape of a pledge of reduction in the costs of the implements of production, a programme of new branch lines for the Canadian National Railways, and an electoral reform by the introduction of the alternative vote, as well as pious aspirations concerning the St. Lawrence Waterway and other policies dear to the western heart. The debate on the Address produced the inevitable three weeks' spate of oratory, the only excuse for which is that, since the vast spaces of Canada prevent members of Parliament investigating in person the special problems and conditions of distant localities, this formal debate constitutes a sort of brothpot into which a large volume of educative information can be poured with some profit both to Parliament and the general public.

Up to the Easter recess comparatively little progress has been made with the general legislative business. The programme of the new C.N.R. branch lines, which the Senate rejected last year, has been revived in the form of

## Canada

26 separate Bills ; even in their preliminary stages they have been subjected to stern dissection by disciples of economy in the Commons and only the most essential will survive the pruning-hook of the Senate. The Redistribution Bill has been consigned to the tumultuous depths of a special committee, where a prolonged battle over the readjustment of divisional boundaries and the relative size of rural and urban electoral units is inevitable. In a country where an abundance of Scots' blood ensures both a taste for and skill in ecclesiastical polemics, peaceful passage for the measure embodying the plan for the union of the Presbyterian, Methodist and Congregational churches could not be expected ; but the Government have wisely washed their hands of it and relegated it to the private Bills committee, where a stubborn Presbyterian minority hope to emulate, if not improve upon, the exploits of the " Wee Frees " in Scotland twenty years ago.

Concerning the problem created by the failure of the Home Bank and the vigorous campaign of its depositors for reimbursement out of public funds, which produced one heated debate, the Government have also temporised by appointing the Chief Justice of New Brunswick as a special Commissioner to investigate the causes of the *débauche* and allocate responsibility. There have been the normal quota of debates initiated by private members for the furtherance of their favourite ideas and the amelioration of special grievances, but they have been more than normally profitless. A resolution moved by Mr. J. S. Woodsworth, a Labourite and a very able parliamentarian, in which he urged that Canada should seek full formal equality in constitutional status with the Mother Country, found all the three party leaders markedly unsympathetic. Otherwise, except for the Prime Minister's *obiter dicta* about the Treaty of Lausanne, some remarks by Mr. Graham on the Imperial Conference and a speech from Mr. Neill, an independent member from British Columbia, demanding that Parliament should immediately follow the heroic



## Current Politics

example of the United States Congress in regard to Japanese immigration, the references to Imperial and international problems have been negligible. However, consent to a discussion upon the Treaty of Lausanne has now been wrung from Mr. King, and some sort of post-mortem upon the Imperial Conference cannot be avoided.

There had been, after the opening day, a general recognition that the Budget was the real climacteric of the session; complaints of the business community that the uncertainty about the tariff situation was hurtful to trade brought about its early production on April 10. The Budget speech, in the absence of Mr. Fielding, whose return to active public life is no longer anticipated, was delivered by Mr. Robb, the Minister of Immigration. The Budget which he produced bears many *stigmata* of political parentage. By utilising some windfalls and by the very transparent device of segregating the finances of the State railways and meeting their deficit mainly by guaranteed railway bonds, Mr. Robb was able to claim a surplus of some 20 million dollars, although sterner purists in accountancy would probably have insisted upon the admission of a deficit of about the same amount together with a saddening addition of at least 40 million dollars to the total national obligations during the past fiscal year. However, on the strength of this nominal surplus and certain modest economies in the estimates, the Government have proposed a relief of taxation estimated at 24 million dollars. It will be achieved mainly by reductions in the Sales Tax, the general rate of which now falls from 6 to 5 per cent., and by cuts in the tariff whereby the duties on the implements of production used in the farming, fishing, mining and lumbering industries are reduced on the average by one-third. There are administrative and other changes of a trivial character but there is no relief for the income-tax payer.

It was noticeable that Mr. Robb made the strange omission of offering no forecast of the financial results of

## Canada

his Budget. It will, however, succeed in its primary object of consolidating a parliamentary majority behind the Government for the rest of the session. The Progressives do not accept it in full satisfaction of their fiscal demands, but they welcome it as convincing proof that the Government is now amenable to their pressure and can be driven to further concessions next year. On this point their calculations may go astray. If, as some portents indicate, revenues decline and windfalls, like the war balance received from the British Treasury, are not available, a serious deficit will loom up; and the Government will probably prefer to plunge into the maelstrom of a general election in the autumn rather than face the disastrous unpopularity which another Budget, imposing fresh taxes, would entail.

Behind the Budget can be discerned a political strategy generally credited to Mr. Ernest Lapointe, who, with the elimination of Sir Lomer Gouin, has established himself as the leader of French-Canadian Liberalism. The calculation is that while a policy of tariff reform may cost the Liberals many industrial seats, the Progressives, faced by a rising tide of protectionist sentiment and anxious to conserve the ground already gained, will abandon their aspiration to become a nation-wide radical party and decide to fight in the Liberal uniform for a common cause. The vision is of a renovated and reinvigorated Liberal party, deriving its basic strength from Quebec and the prairie provinces, held together by a common fear of the domination of Ontario and in a lesser degree by a common devotion to the doctrines of particularist nationalism. It is widely believed that Mr. King's strange performance in connection with the Treaty of Lausanne was a nationalist gesture, planned to provoke Mr. Meighen into hostile criticisms which would provide material for limning the Conservative party in French Canada as the servile tool of British Imperialism. On no other theory can the Prime Minister's avowal of an intention to re-

## Current Politics

pudiate plenipotentiaries whom he had definitely endorsed be explained.

But the proponents of this strategy choose to forget that Quebec is temperamentally the most conservative province in Canada. Certain unpleasant revelations about the financial vagaries of members of the late Progressive Government in Ontario have made it reasonably certain that in the next Parliament the Progressive party will be a purely western group. Any union between their radicalism and the brand of Liberalism represented by politicians like Mr. Taschereau, the Prime Minister of Quebec, and papers like *Le Soleil* would be a veritable marriage of June and December; it might be successful, but the chances of an opposite outcome would be very great. Moreover, the most significant development of the session has been the growing uneasiness of many Quebec Liberals. They are wondering whether the time has not come to check tendencies now apparent, before they are confronted with the choice between a Conservative leader whom they dislike and a radical programme which they abhor. If Sir Lomer Gouin were not in indifferent health and tired of politics, he could to-day head a most formidable insurgency at Ottawa on the tariff issue; for Quebec is now preponderantly protectionist in sentiment, partly through the rapid growth of industrialism and partly as a natural corollary of the nationalist spirit. Although the Budget showed them a studied mercy, the industrialists of Quebec share the growing fear of their brethren elsewhere that the whole fabric of protection is in peril, and their pressure upon members for industrial seats will probably bring some French-Canadian reinforcements to the small group of protectionist Liberals from Ontario, whose revolt is expected. But the mutiny, in the absence of a lead from Sir Lomer Gouin, will not spread far and the Government can rely upon a very large majority for a Budget which has the unique merit of pleasing all three major parties. The Liberals rejoice that their parliamentary position is forti-

## Canada

fied ; the Conservatives see great gain in their reacceptance by the industrial interests as the sole *bona fide* champions of protection ; and the Progressives welcome the postponement of the hazards of an appeal for renomination to constituents who regard a seat at Ottawa as a sort of Nobel prize, never to be held a second time. Its main merit, however, is that it promises to advance another stage the process of resolving the confusion which the war brought to the politics of Canada.

### II. THE ST. LAWRENCE DEEP WATERWAY

**M**OUNTAIN ridges separate the central portion of the continent of North America from the Atlantic and Pacific Oceans, and most of this central portion drains either northwards through rivers with inaccessible mouths in the Arctic and in Hudson Bay, or southwards into the Gulf of Mexico through the Mississippi which, for much of its course, winds between low-lying banks and is generally swift, shallow and variable in flow. The narrow basin of the St. Lawrence lies athwart the east half of the continent and is separated by a low divide from the basin of the Mississippi on the south and by a somewhat higher one from the Hudson Bay drainage area on the east and north. In its upper part lie the Great Lakes, occupying together one-quarter of the total area of the basin above the outlet from Lake Ontario, and below that point the river proper flows in a rocky channel with, for part of its course, ample depth for almost any vessel afloat. By reason of the great reservoir capacity the variation in flow is very small ; as one jealous engineer has said : " No work of man has ever approached or will approach such perfection of regulation."

The Great Lakes and the upper part of the river form the boundary between Canada and the United States ; the lower river, from a point sixty miles above Montreal, lies wholly within Canada. Up to Quebec the river is navigable

## The St. Lawrence Deep Waterway

without improvement for ocean-going craft, and the ship channel to Montreal makes that city—1,100 miles from the sea—accessible to almost all vessels but the *Olympics* and *Leviathans*. Immediately above Montreal are the Lachine Rapids, where the river falls over the last of the three rocky ledges which intersect its course within the next 110 miles. The series of rapids at each of these ledges are navigable downwards by certain types of craft; canals permitting boats to move upward past some of them were built as early as 1783, and more than 40 years ago Canada completed a system of canals giving access to Lake Ontario for vessels of 14 foot draught. In 1887 Canada also provided a canal of like depth between Lake Ontario and Lake Erie, and the channels between the latter lake and Lake Huron and the channel and canals between Lakes Huron and Superior, built and improved partly by Canada and partly by the United States, have more lately provided for vessels of a draught of 21–23 feet. The further deepening of these is not difficult. Before the war Canada commenced, and has since its conclusion continued, the construction of a new canal between Lakes Erie and Ontario; this will, when completed, pass vessels of a draught of 25 feet and is so constructed as to permit of its being further deepened by dredging only. When this canal is opened, the depths of water limiting traffic between Lake Superior and the sea will be those in the St. Lawrence canals.

The reconstruction of these has been long discussed, but during the war public attention in the United States was for the first time concentrated upon it. The great iron and steel industries of the central States, the motor-car manufacturers in Detroit and elsewhere, and the vast packing and food-exporting enterprises of Chicago, found themselves hampered by the inadequacy of the railways and the congestion of Atlantic ports. A Great Lakes Tidewater Association was formed and an intense agitation for the improvement of the St. Lawrence was set on foot. This gained in strength during the boom after the war, which

## Canada

found the railways more helpless than ever. It extended to the western States where the grain farmers wanted relief from high freight rates, and obtained support from users of electric power in New York and New England, although this was counter-balanced by opposition from the ports of Boston, New York, Philadelphia and Baltimore. Ontario's demand for more hydro-electric power, the aspirations of the navigation and shipbuilding interests in Toronto and elsewhere and, in the west, a very mild enthusiasm diverted from the Hudson Bay railway project, provided Canadian backing for the pressure from the United States. In 1920 the question was referred to the International Joint Commission, a permanent body composed of three Canadian and three American members, to which, under the Waterways Treaty of 1909, any subject of joint interest to the two countries may be referred by agreement between them. At the same time there was formed a special joint engineering board composed of one Canadian and one United States engineer, and this board made detailed studies of the river while the International Joint Commission was holding protracted hearings throughout Canada and the United States.

In 1921 the engineers reported to the Governments and submitted to the Commission their recommendations for the construction of new 25 foot canals round the two lower series of rapids, which lie wholly in Canada, and for the damming of the river itself to flood out the upper series, which occur where the river forms the international boundary. They estimated the cost of the works at \$252,000,000, including the development at the dams of 1,500,000 electrical horse power, of which Canada and the United States would each be entitled to one-half. After alternative plans had been submitted to it by interested parties, the Commission unanimously recommended the negotiation of a treaty for the improvement of the river and gave general approval of the scheme submitted by the government engineers, but suggested that before

## The St. Lawrence Deep Waterway

any work was undertaken the plans should be further considered by an enlarged joint engineering board. It did not discuss the mode in which the capital expense should be met, but proposed that the annual charges for the navigation works should be borne by the two countries in proportion to the export and import traffic of each through the waterway, that each should develop separately its own share of the electric power, and that the jurisdiction of an international administrative body should be limited to those works on the international section of the river which could obviously not be entrusted to the sole administration of either country.

The United States quickly pressed for further action, but Mr. Mackenzie King's Government had been too short a time in power to be ready to make so important a departure, and proposed a delay. The subject was again brought forward by the United States last November and the enlargement of the engineering board has since been agreed upon, although the terms of reference to it have not yet been settled. When the Canadian Government stated its intention to constitute a committee to consider the general aspects of the proposal, the United States indicated that it would appoint a like committee and suggested that the two committees should hold joint meetings to settle these terms of reference; but Canada refused to concur in this proposal, saying in effect that to give international functions to the committee it intended to appoint would be inconsistent with its purpose, which was to consider whether the project was one in which Canada should join. The United States has since appointed a committee, with Mr. Hoover at its head, to forward the negotiation of a treaty. The only Canadian committee so far set up is an interdepartmental one, but the constitution of a more broadly based committee has been foreshadowed.

The project, as sketched by its supporters, strikes the imagination. Already ocean vessels penetrate farther up the St. Lawrence than any other river in the world except



## Canada

the Amazon. A vessel ascending to Duluth through 2,300 miles of inland navigation (of which 900 miles is through the lakes) would be 1,200 miles from Montreal and about the same distance by land from the nearest port on the open ocean. The waterway would, it is said, almost double the number of North American ocean ports and would bring the shipping of the high seas to the quays of many cities already great: Toronto (population, 550,000); Buffalo (525,000); Cleveland (800,000); Toledo (250,000); Detroit (1,000,000); Milwaukee (500,000); and Chicago (3,000,000), not to speak of Fort William, Port Arthur, Duluth and many other shipping points not without importance, but of smaller population. In an elaborate report prepared at the instance of the Great Lakes Tidewater Association, and highly praised by the International Joint Commission for its completeness and accuracy, it is said that 41,000,000 of the inhabitants of the United States would be beneficially affected by the reduced expense of shipment through the waterway to and from North European ports, and nearly 30,000,000 by the reduction in freight rates to and from ports in South America. A substantial water-borne traffic between lake ports and ocean ports in North America is also anticipated in the report, and it is estimated that, within five years from the completion of the waterway, the export and import traffic to and from United States ports upon it would amount to 20,000,000 tons a year, or almost as much as now passes through either the Suez or the Panama canal. No computations have been made of corresponding Canadian traffic, but if Mr. Hoover's very optimistic estimate that there would be a saving of ten cents a bushel on export grain from the head of the lakes is even approximately possible, the Canadian traffic in grain alone would make a very substantial addition to the prospective tonnage. It is claimed that the saving in freight charges would alone more than justify the expenditure involved, and, moreover, that the power developed could readily be sold at a price sufficient

## The St. Lawrence Deep Waterway

to cover the annual charges on all the works on the river, even without the imposition of tolls.

On the other hand, opponents of the project ridicule the idea that any such returns are even remotely realisable. They emphasise the failure of the existing canal system to attract even those ocean-going vessels capable of using it, and deny that its being further deepened would increase its attractiveness. They contend that additional grain traffic, which they incline to regard as alone of much importance, would not be diverted to the new route, and point out that, since before 1915 the rate on grain from Fort William to Montreal was little more than six cents a bushel and sometimes less, a saving even of five cents a bushel is a wild dream. They doubt the advisability of a partnership with the United States either in the waterway or in the development of power, claiming that Canada has no market for more than half of her share of the power and that its development will merely stimulate United States industries. They point to the claim of the State of New York and the Province of Ontario that they and not the Federal Governments are entitled to the power capable of development on the St. Lawrence, and argue against the possibility of the latter's being permitted to appropriate the proceeds of its sale to meet the cost of improvements in navigation. Montreal also has its special ground of objection: it prefers to remain at the head of navigation, and dislikes the prospect of becoming a way port even if the traffic passing through it is enormously increased.

Apart from a certain jealousy of the United States which has appeared more than once in Canadian political history, opposition to the project in Canada derives some of its force from the unfortunate experiences of the country in relation to the construction of railways, since these, undertaken in an optimistic spirit, have imposed upon the revenue a heavy burden, proximate relief from which is rather hoped for than expected. It is therefore not surprising to find in the United States a warm approval of the

## Canada

project and a keen desire that the negotiations should move rapidly forward, while the general attitude in Canada is comparatively cold and hesitating.

There is, moreover, a connected problem upon which there is in Canada but one opinion, which has been represented strongly to the United States. In 1901 the Chicago Sanitary District applied to the United States Government for leave to divert water from the south end of Lake Michigan into the Mississippi basin, and obtained a permit (said to be of doubtful validity and only temporary in duration) to divert some 4,000 cubic second feet. A greater amount was, however, diverted—only partly, it is said—for the purpose of dealing with the sewage of Chicago, and really in part for the development of hydro-electric power. The diversion has been increased until it is now said to amount to from 8,000 to 10,000 cubic second feet, and it has had serious effects upon the water levels of Lake Michigan and the lower lakes, as well as of the St. Lawrence river. The right of the Sanitary District to make the diversion is now before the Supreme Court of the United States in an action for an injunction brought by the Federal Government. Several of the States bordering upon the lakes are exhibiting the keenest interest, but Bills have recently been introduced into Congress to give statutory authority for a diversion up to 10,000 cubic second feet. This proposal has been the subject of protests by Canada. Here the diversion is looked upon as illegal, and its continuance further chills the Canadian attitude towards the project of improving a waterway adversely affected by it.

### III. PROHIBITION TO-DAY

**D**URING the past year further evidence has become available of a marked reversal of opinion in Canada upon the liquor question. Regulation of the sale of liquor is a provincial matter, and the close of the war found all

## Prohibition To-day

the Canadian provinces, with the exception of Quebec, under strict prohibition laws, which, if not universally observed, did prescribe for the community a rigid régime of temperance. The returning army, accustomed to slake its thirst in pleasant French and English taverns, did not take kindly to prohibition; and provincial politicians, wrestling with annual deficits, began to cast envious eyes upon the huge annual surplus which the Quebec Liquor Commission was yielding to the local treasury, for Quebec had adopted a government monopoly of the sale of liquor. With the anti-prohibitionists in Canada, Quebec was accorded a reputation for sanity and toleration which did something to offset the unpopularity aroused by the province's imperfect sympathies with the national war effort. The harvest to the provincial treasury has indeed been rich; on a total sale of \$65 million, profits amounting to \$12 million have been realised in the last three years; and of this sum it is calculated that thirsty Americans were responsible for 80 per cent. At any rate, the largest sales have been made in such of the 82 government stores as are adjacent to the American border or near the railway stations in Montreal and Quebec. The Quebec Liquor Commission claims that it is selling liquor at prices ranging from 15 per cent. to 40 per cent. cheaper than if the trade had been privately controlled, and certainly wine is to-day ridiculously cheap in Quebec. The recent Franco-Canadian trade treaty reduced the duties so that the cheaper brands of claret can now be secured at 50 cents a pint and good burgundy at \$1.25. Local residents are therefore drinking wine instead of the more expensive spirits; these, however, are on great demand by visitors, who seek liquor in its most potent form.

Naturally the bootlegger of the New England States finds the stores of the Quebec Liquor Commission a very useful reservoir of supplies, and its special label is now regarded in those regions as a sort of guarantee of quality. Opinions upon the merits of the Quebec system are divided. The prohibitionist points out that the "wetness" of

## Canada

Montreal has made it the magnet for a host of undesirable characters drawn from the underworld of the great American cities and has aggravated the problem of maintaining order and morality. The anti-prohibitionist rejoices in the evidence that bootlegging is an extinct profession within the province and blind pigs have ceased to exist. There have been charges of serious manipulation of the activities of the Commission for the benefit of political favourites; but if any administration of this character were completely free from such episodes, its record would be beyond praise, and such political manipulation as has occurred in Quebec has not so far been on a serious scale. It has unfortunately been otherwise in British Columbia, the first province to renounce prohibition; there the local provincial Government has indulged in brazen attempts to bolster its fortunes with the aid of the Liquor Commission, and the administration of this body has, it is alleged, been so corrupt that there is a serious growth of sentiment in favour of restoring prohibition.

During 1923 the opinion of two of the prairie provinces upon the question of prohibition was tested by a plebiscite. Manitoba, in July, and Alberta, in November, decided by very substantial majorities to abandon prohibition in favour of a system of government control. But each of these provinces also decided against the restoration of wine and beer licences to private individuals. The Manitoba system has now been in operation several months and, whatever its effects upon temperance may ultimately be, its financial results have already gladdened the heart of the provincial Treasurer. But they are smaller than was anticipated. The Commission provided alcoholic supplies on the theory that everybody who voted for their restoration would be prepared to consume them, but the actual consumption up to date is less than half the estimate. The presumption is that a great many electors voted against prohibition from a dislike of its results rather than any personal desire for alcohol.

## Prohibition To-day

The Alberta plan, which has now been embodied in legislation, represents the fruit of the experience of the other "wet" provinces. It copies the permit system which was introduced in British Columbia and Alberta. The permits will be available (for a fee of two dollars) to individuals over 21 years of age who have resided a month in the province; special permits will be issued to druggists, doctors and dentists. The system will be managed by a non-political commission, which will determine the location of the State stores, the appointment of official vendors, the importation of liquors and the granting of licences and permits. Licences will be granted to clubs for the sale of beer for consumption on the premises, and brewers will be given the right to sell and deliver beer to the holders of permits and to clubs. There is a long list of prohibitions and all advertisements of liquor are banned, while part of the profits are to be allocated to the municipalities.

This system will be given a careful trial and, unless political corruption creeps in, it ought to prove a satisfactory solution of the liquor problem for such provinces as adopt it. Heartened by their successes in Manitoba and Alberta, the opponents of prohibition have been laying their plans to regain other lost territory, and in Saskatchewan the Liberal Government has responded to their pressure by arranging for a plebiscite on July 16. But it will not allow the voters the same latitude of decision as in Alberta, where they had four alternative questions to answer; the paramount question in the Saskatchewan referendum will be "Are you in favour of prohibition in Saskatchewan?" The Conservative Government in Ontario undoubtedly received the "wet" vote at the election last year, but in view of the deep-rooted temperance sentiment in the province it is moving very cautiously in the direction of a plebiscite. For its expenses it has induced the Legislature to vote half-a-million dollars, but its leaders are pledged to await definite proof of a public demand for a

## Canada

referendum, which, however, the friends of alcoholic freedom will not be slow to supply. For the "wets" Ontario may be a more difficult terrain than the western provinces, but their hopes run high. At any rate, real estate operators on the shores of rivers and lakes which form the international boundary between Ontario and the United States are beginning to capitalise the prospect of a heavy influx of American visitors to a more humid air and to depict in glowing colours the contingent attractions of summer homes in Ontario.

Statisticians and commentators of opposite faiths have produced a veritable literature of interpretation of the results of the different liquor systems now in operation. When the prohibitionists produce figures in proof of a marked decrease of crime and poverty under prohibition, anti-prohibitionists counter with data about the alarming growth of the drug traffic and the shrinkage in immigration from the British Isles. A satisfactory verdict upon evidence which is often of a directly conflicting character is very difficult to reach. But it seems reasonably probable that, unless the State systems now established in four provinces prove dismal fiascoes, within five years prohibition will not survive anywhere in Canada save in its smallest province, Prince Edward Island. In the other provinces there will be different transatlantic versions of the Gothenburg system, and no serious restrictions upon the right of free private consumption.

From this situation may flow some interesting results. It will establish a very marked differentiation in an important social habit between the people of Canada and the citizens of the United States, for there is no serious prospect that the eighteenth amendment to the American constitution will be rescinded in the near future. Canada may then become a more popular goal for British immigrants, whose lukewarmness for her attractions has in recent years been ascribed to an apprehension of a climate where alcohol was not available as a fortification against the



## Prohibition To-day

notorious rigours of winter. A warm preference will certainly be developed among the upper classes of the United States for Canada as a holiday ground, and more and more the Dominion will come to fill the same rôle for the United States in this connection that Scotland fills for England. Furthermore, once the provincial authorities in Canada assume responsibility for their domestic liquor trade, they will be forced to take precautions that the supplies which they provide are not utilised to nullify the laws of the United States. For the promotion of more effective arrangements to suppress liquor smuggling across the international boundary, conferences between officials of the Ottawa and Washington Governments have lately been taking place, and the Canadian authorities are guaranteeing their cordial co-operation in all reasonable measures.

Different attitudes towards the liquor problem may produce recurrent frictions between the two countries; and, if in the coming years a larger number of influential Americans are likely to make personal acquaintance with Canada as the result of her more liberal liquor laws, yet the unbending prohibitionist opinion in the United States will continue to visualise their northern neighbour as a reservoir of bibulous iniquity with which too close political and economic relations should not be encouraged. In certain quarters there have been secret forebodings that in western Canada a psychological condition was maturing which might be the prelude to a movement for absorption in the United States. But if Canadians persevere in their present anti-prohibitionist mood, dislike of prohibition will be a strong counter-agent to the material allurements which advocates of absorption might set forth.

Canada,  
April 23, 1924.

## AUSTRALIA

### I. THE NEW STATES MOVEMENT

**I**F a political cartographer from Mars had produced a map of Australia in 1788, he would have shown it divided into two almost equal parts by the 135th degree of longitude. The eastern half was New South Wales, which then represented British Australia. The western half, unclaimed at first by Great Britain, was annexed in 1829, the boundary of New South Wales having been pushed westward to the 129th meridian in 1825. Western Australia has remained territorially as it was then proclaimed. All the other Australian States have been created by carving tracts of territory out of New South Wales. Tasmania (1825), South Australia (1834), Victoria (1851), and Queensland (1859) were all formed in this way. Since 1859 no new States have been formed in Australia. The twentieth century ushered in, among other things, the Commonwealth of Australia. It was never contemplated that the system of States existing in 1901 should be rigidly stereotyped, and provision was made in the Constitution for the creation of new States. But that Constitution being definitely federal and not unitary, it was only to be expected that it should provide that no new States could be erected by the Commonwealth without the expressed approval of the Parliament of the State or States affected.

Western Australia and South Australia were founded as

## The New States Movement

experiments in colonisation in unoccupied lands. But Victoria and Queensland were split off from New South Wales after colonisation, and because their inhabitants resented the control of the Mother State and desired self-government. With negligible exceptions, no further manifestation of this desire for separation occurred in Australia. The community's taste for political experiment was apparently being satisfied with the business of achieving federation. But since 1901, the idea of new States has slowly been developing. Hushed for a time by the war, activity in this direction has been revived since 1918, not only in New South Wales, but also in Queensland and Western Australia. The Riverina movement has for its object the erection of part of southern New South Wales into a new State. In central Queensland and in northern Queensland there are definitely organised separation movements, and in Western Australia there are three agitations—in the south, the north, and the goldfields—to secure independence from the Government which, at present, centres in Perth. But of all these movements for separation, or decentralisation, as they are called, that in the northern part of New South Wales is much the most vigorous and important. It probably owes its pre-eminence to its more thorough organisation and to the heavier political calibre of its leaders.

In the main, the grievances of the separatists in all these localities are very similar. There are complaints of neglect by the State Parliaments and of the fostering of city as opposed to country interests; grumblings about inadequate railway and transport facilities in return for a disproportionate revenue alleged to be furnished by the disgruntled districts; laments about a centralised city bureaucracy unable if not unwilling to explore country grievances; protestations that the whole movement is above party politics; and rhetorical appeals to the sacred heritage of self-government. The material basis of these grievances is twofold—the character of the existing railway

## Australia

systems and the distribution of population in Australia. The railway systems of all the States, except Queensland, are examples of centralisation. This feature is more marked in New South Wales than anywhere else. There are in this State over five thousand miles of railway which serve only two terminal seaports within a hundred miles of each other. This makes for the general grievance that traffic is forced over long distances to the capitals, entailing heavy freights which might be avoided if more direct lines to the sea coast were built. This railway policy is partly the result, and partly the cause, of the striking concentration of 43 per cent. of the Australian population in the capital cities.\*

It is not, therefore, surprising that agitations for decentralisation should have sprung up in Australia, and it is, indeed, a healthy sign. Local grievances should be remedied by local organisations. If they can be, and are not, local patriotism will decay and the basis of existing society will be imperilled. When, however, the advocates of decentralisation in Australia advance the proposition that the only way to remedy their discontent is to create new semi-sovereign States, their arguments must be examined. Let us consider the specific movement for a new State in northern New South Wales, the leaders of which are generally regarded as being the chiefs of the whole separatist agitation.

This movement protests that the Government has neglected the north, permitted Sydney to dominate the State, and distributed the revenues unfairly as between city and country. New railways, schemes of water conservation, hydro-electric projects have been shelved by

\* The figures for the separate States are :—Sydney (N.S.W.), 43 per cent. ; Melbourne (Victoria), 50 per cent. ; Brisbane (Queensland), 28 per cent. ; Adelaide (South Australia), 51 per cent. ; Perth (Western Australia), 47 per cent. ; and Hobart (Tasmania), 24 per cent. The closest approach to this in Europe is Copenhagen with 20 per cent. London contains just over 12 per cent. of the population of England.

## The New States Movement

successive Governments in Sydney. Moreover, the general administration has piled up a huge debt, a disproportionate part of which has had to be carried by the northern people, considering the return they receive. Most of these charges are difficult to deny. The present Premier of New South Wales admits that "there are good grounds for discontent." But even if the whole charges be admitted, there still remains the business of finding a remedy. Dr. Earle Page, now Federal Treasurer, is the acknowledged leader of the New State Movement. He insists that the movement is not a new one, but that it is merely "a resumption of the normal process of political development." It will be observed that Dr. Page is not immune from the tendency prevalent among public men, to clothe an aspiration in terms of a law of progress. His main contention is that a complete severance of the north from New South Wales in order to form a State of about 80,000 square miles with a population of about 500,000 would secure economy in administration, attract population, and by developing the territory increase production. It is not easy to follow the logic of this. It is all very well for Dr. Page to say that a smaller State will be more economically administered than a large one. But, if it is to be a new State, there will be two semi-sovereign States to administer instead of one. There does not seem much ground for belief that their total expenditure for administration will diminish. In 1901 the Commonwealth and the States paid 48,000 civil servants (exclusive of Parliamentary, defence and railway staffs) the sum of £6,400,000. In 1921 the number had increased to 71,200 persons receiving nearly £17,000,000. Would the creation of more new States check this growth of expenditure on administration?

As to the development of the area in question, it may be doubted whether enough trial has been made of the machinery provided by the N.S.W. Local Government Act, which allows municipalities and shires to combine

## Australia

in forming a County Council to undertake works which are beyond the scope of smaller bodies. Indeed, the Clarence River County District has been formed, within the area of the proposed new State, in order to carry through an important hydro-electric scheme. If this succeeds, it would seem to suggest that the full panoply of a new State is superfluous for the economic development of the north. If it fails, Dr. Page must show reasons why the imposition of Parliamentary institutions upon the district will redeem that failure.

Under the stress of criticism of this nature, the ideas of some prominent New Staters are being modified. Dr. Page himself has recently remarked that he should prefer new States to be called provinces, and their governing bodies Councils. Others say bluntly that the end of the movement is to be one Parliament for the whole of Australia, with efficient localised centres of provincial government. This foreshadows the idea of centralisation with devolution of local powers to local authorities. And this, in its turn, leads the whole movement dangerously near the bog of party politics. For the Australian Constitution is definitely federal in character, and the only attempts to make it unitary have come from the Labour party. Yet the majority of the New Staters, being country folk, are suspicious of the Labour party, which, they say, governs always with its eye on the industrial population of the capitals and neglects the country. It has happened, therefore, that when this aspect of the matter has been discussed at various conferences of New Staters, there has always been a majority against the adoption of unification as the general policy of the movement. The most recent official pronouncement from the north was that the County Council idea, though useful, would not provide sufficient machinery for the development of the area which the New State desires. It was felt that the creation of County Councils erects a third taxing authority in these areas without allowing corresponding remission of taxation paid

## The New States Movement

to the State. Nor is there any guarantee that the profits from enhanced land values, created by works undertaken by such councils, will be available for developing the area benefited by such works. In view of all this, the onus lies on the New Staters to say exactly what they do want in the way of self-governing powers.

At an All-Australian New States' Conference held at Armidale (N.S.W.) in June, 1923, the following seven planks were adopted as the official platform of the movement.

1. That the Federal Constitution be so amended as to eliminate the State Parliaments as the necessary consenting authorities for the creation of new States, such authority to be exercised by the Commonwealth Parliament which may take a referendum either in a defined area or in the whole State concerned.

2. It shall be mandatory for the Commonwealth Parliament to take action under clause No. 1 within six months after the presentation of a petition signed by 20 per cent. of the electors on the Commonwealth roll for any area not less in extent than the then smallest existing State.

3. The boundaries of new States to be defined on the basis of community of interest and geographical convenience.

4. Each new State to be established on the basis of a separate constitution drawn up by an elected convention consisting of representatives chosen by the Commonwealth electors of the area embraced by the boundaries defined by a commission appointed by the Commonwealth Parliament, such constitution to be ratified by that Parliament.

5. All railways inter-State in character to be governed by a statutory commission comprising an equal number of Commonwealth and State representatives with a Commonwealth Chairman.

6. The senatorial representation of each State to be equal in number, and the senators to be elected on a basis of proportional representation.

7. The number of members in the House of Representatives in each new State to be determined in the manner provided in the representation Act.

But this programme does not make matters much clearer. The first four planks simply state the methods that should be adopted to give effect to the New State agitation. The



## Australia

fifth is a general statement about inter-State railways. Only the sixth and the seventh deal with the constitution of the new States to be formed, and they merely indicate the number of representatives the new States shall have in the central Federal Parliament. There is nothing authoritative here to signify whether the New Staters would be satisfied with extended powers of local government and finance over a wide area, or whether they insist on inheriting the plenary powers of the now existing States of the Commonwealth. Until these questions are plainly answered it is difficult for the average citizen to determine his attitude to the whole movement.

Meanwhile the matter has been brought a step further into practical politics by moving its discussion from country conferences, composed of enthusiastic supporters, into the more critical arena of the New South Wales State Parliament. In September, 1922, after a long debate, the Lower House agreed to communicate to the Federal Government its opinion that the creation of a new northern State should be taken into consideration by a Federal Convention "summoned for the purpose of reconsidering both the present boundaries of the States and the distribution of the legislative powers between States and Commonwealth." This motion was the first step towards exploring the constitutional machinery for setting up new States. By passing it the New South Wales House had simply suggested that a Federal convention should be summoned to discuss the matter. Mr. Bruce, the Prime Minister, replied to the effect that the machinery already existed for the creation of new States. If, therefore, the New South Wales Parliament would affirm that it was desirable to create a new northern State, and would also settle the questions of boundaries and allocation of assets and debts, the Commonwealth Government, subject to the concurrence of the Federal Parliament, would take steps to give effect to the wishes of New South Wales. The result of this is to lay upon the New South Wales Parliament the

## The New States Movement

duty of determining whether the new State should be created. At the request of the northern movement the Premier, Sir George Fuller, has now agreed to appoint a Royal Commission to inquire into the whole question of new States in New South Wales, reporting upon the proposed separations in regard to boundaries and to sharing of debts and assets.

There for the present the matter rests. In some quarters it is thought to be extremely unlikely that the New South Wales Parliament, especially the Upper House, will consent to any division of the existing State. Others cynically declare that the appointment of a Royal Commission means the permanent shelving of the whole agitation. Others, again, think that the northern movement for separation will collapse when the Government of the day succeeds in redressing the grievances felt in the north. But whatever may be the outcome of this particular inquiry, it is to be hoped that the wider issues raised by the whole separation movement will not be merely buried in the voluminous report of a commission. The agitation has revealed the fact that Australia, with her seven sets of Legislatures, is not achieving satisfactory government for a great number of her people. The question raised by the New Staters' movement has been whether government, in certain of its aspects, cannot be brought nearer to the governed. The solution suggested by Dr. Page and his followers is the erection of smaller new States, with plenary powers, within the present federal sphere. There are many who, though they are in sympathy with the demand for the redress of a country grievance, do not accept this solution. They look rather to an amendment of the Federal Constitution in order to give to the Commonwealth many of the powers now exercised by the States, and to contrive that it should devolve upon provincial areas, powers and resources sufficient to enable them to accomplish their own development. Which of these schools commands the allegiance of Australia it would be idle to

## Australia

say at present. But plainly the question is ripe for discussion\*

### II. AUSTRALIAN FINANCE

**I**N Australia, as in other countries, there are some financial clouds upon the horizon. We have seen such clouds in past years, and they have gradually dissipated without doing much harm. Those now visible will no doubt pass away presently, but, in the meantime, competent handling of the situation is demanded. The broader features of the position may be summarised as follows :—The cost of living has fallen comparatively little since the war, as evidenced by the retail price index number, which stood at 1,113 in 1914, and rose to 1,753 in 1920. In 1921 and 1922 it fell slightly, but to-day it is not far from the peak of 1920. The cost of building is still high, leading to a growing scarcity of housing accommodation at reasonable rentals. Governments, Federal and State, have made heavy claims upon local money supplies, with a resultant starvation of commercial and industrial needs. There has been some accumulation of imports in first hands, leading to a heavier demand for banking accommodation, while the materially reduced purchasing power of money since 1914 tends in the same direction. To these difficulties are now superadded those of the exchange position.

\* Since the foregoing was written, the Executive of the New States' movement has definitely announced that the Federal Government has promised to bring in a Bill next session which will transfer the power of making new States directly into the hands of the Commonwealth without any reference to the Parliaments of the State or States who are affected by the subdivision. If this is to be done, the whole discussion of the subject will be undertaken not in a special convention, such as has been suggested, but in the Commonwealth Parliament. Should the Bill receive the assent of both Federal Houses, it will then be necessary to refer it to the people by referendum, as it will embody an alteration of the Constitution. This method may be more expeditious than that of a convention, but it is doubtful whether the discussion of the whole question will be as dispassionate and thorough as it would be in a convention.

## Australian Finance

Only two or three years ago the banks were short of funds in London, but fairly supplied in Australia, with the result that it was both difficult and expensive to remit Australian money to London. To-day the exact converse applies. The banks are short in Australia, but are credited with holding fairly ample funds in London, with the result that it is difficult and expensive to move big sums from London to Australia. The existing situation is due in considerable degree to heavy governmental borrowings in the London money markets in the last year or two. It is necessary to refer to the exchange situation because the present excessive scramble by Australian Governments for funds cannot be cured by borrowing in London, this because such borrowing creates credit balances in London, and for the time being it is impracticable to buy remittances to Australia in big volume. In banking and business circles blame is attributed to Australian Governments, Federal and State, for their failure to exercise more rigorous economy since the Armistice. There exists a general feeling that, had stricter economy been enforced, the burden of taxation might by this time have been materially reduced. The Federal Treasurer, for instance, has an unexpectedly large revenue surplus in hand, due to heavy customs receipts; but it is understood he regards this as a temporary phase, and he does not consider it wise to base upon it more or less permanent tax reductions. He may regard it as wiser, for instance, to reduce Federal debts. Federal income tax, by the way, yielded some  $7\frac{1}{2}$  millions in 1917-1918, and about 13 millions in 1922-1923; and there are the various State income taxes in addition.

Whether enough allowance is made for the difficulties of Governments is not easily determined. One or two of the Ministries have only recently come into power, and they are the inheritors rather than the creators of the over-heavy loan expenditures on public works. It would be poor economy, for instance, to leave costly works incomplete, for that would not only postpone the period of earning, but

## Australia

would involve rapid deterioration. Every Government not unnaturally strives to avoid heavy dismissals of employees, and so the big expenditures continue without much reduction. Considering the serious difficulties which confront Treasuries, there exists a wide belief that Governments should have made their departmental administration in some directions more efficient, and in total less costly; also that, had the awkward task of economising been faced with greater determination from the end of 1918, a very materially lessened rate of expenditure would have been established by to-day, coupled possibly with appreciable tax reductions, and this without involving wholesale dismissals of employees at any stage.

So much for generalities. The Treasurers of Australia met in May, 1923, when they decided that, after the end of 1923, no more internal loans were to be issued carrying freedom from Federal and State income taxes. After 1923 all loans were to be subject to both taxes. This because in Australia, as elsewhere, it was strongly felt that it was very undesirable to increase those investments which would pay no future income taxes. Yet if Treasurers do not make their loan terms attractive to large investors, the subscription lists may fall short, especially because of a growing desire on the part of business people to keep their funds for expansion purposes. The Treasurers' resolution promptly set up a double scramble for funds. State Treasurers got in all the money they could before the end of the year, at  $5\frac{1}{2}$  per cent., free of both income taxes. At the same time the Federal Government had to meet a maturing loan of  $38\frac{3}{4}$  millions in September, 1923. They too combed the highways and byeways for money, but in the event, notwithstanding all the drumming, public subscriptions fell short by some  $6\frac{1}{2}$  millions. Finally the Federal Treasurer had to cover the shortage, and this was accomplished by utilising Treasury balances in hand.

The commercial and industrial world began to feel

## Australian Finance

rather acutely the heavy withdrawals of market funds into comparatively unproductive governmental channels. There followed a greatly increased pressure upon the banks, who are experiencing difficulty in meeting the demands of the market. Banking averages recently published show a heavy increase of advances, inadequately balanced by increased deposits, with the general result that the ratio of banks' legal tender to liabilities has fallen in the last three years from about 27 per cent. to just over 18 per cent. In this there is nothing seriously alarming—since 18 per cent. is not unsatisfactory, viewed in comparison with other countries. The immediate difficulties of the Federal Treasurer have not ended with the redemption of the September, 1923, loan. In May next he has to meet, or renew, the soldier gratuity bonds aggregating about 19½ millions. Under the circumstances, another internal Commonwealth loan has just been placed upon the market. At a Treasurers' Conference recently concluded, special arrangements for that purpose were made. The State Treasurers agreed that the field should be left wholly to the Commonwealth Government until the gratuity bonds are out of the way. The Federal Treasurer promptly announced the issue of the above internal loan at par—total not stated, interest 6 per cent., free of State income tax, but subject to Federal income tax, period 3, 5 or 10 years at buyer's option. To this loan the Australian public has been once more urged to subscribe. Meanwhile the State Treasuries cannot be entirely starved of loan funds, and by arrangement they may continue to sell bonds "over the counter" each within his own section—6 per cent. interest, maximum period 10 years, free of State but subject to Federal income tax. The State Treasurers are not to employ special propaganda designed to increase the volume of these sales.

From the foregoing details one or two important considerations emerge. It will be noticed that the Treasurers have raised their interest rate by  $\frac{1}{2}$  per cent., partly to

## Australia

attract funds, and partly to compensate for the re-imposition of Federal Income taxation. A reflex result is increased overdraft rates all round, and already some of the institutions are taking action. Another consequence will be that investing houses, mainly insurance companies, will again be asked for subscriptions to Government loans, and they will be increasingly unable to support the mortgage investment field as they used to do before the war. What exactly the Treasurers have agreed, about the urgently desirable co-ordination of future borrowing, is not known. Clearly something should be done, and this quickly, to overcome the present cut-throat competition for money, the medley of interest rates and loan conditions, and the clashing of redemption dates. In the market of to-day there is in any case no avoiding higher rates of interest on renewals, which impose an added burden upon industry, without bringing in any additional capital. That the position is fairly serious may be readily gathered from some details. During the next six years Australian loans will mature totalling 385 millions, of which 280 millions are internal, and this quite independently of new loans for developmental purposes. New South Wales alone contemplates 11 millions of loan moneys for public works during 1924. The Australian interest burden has grown out of reasonable proportion to increase of population and development of natural resources. In 1913-14 the Commonwealth and State interest bill was roughly 12 millions. In 1922-23 it was nearly  $41\frac{1}{2}$  millions. War accounts for a considerable part of the increase, but the other part is too large, and it is clear we cannot with safety maintain the pace.

On the other hand, if there are clouds upon the horizon, there are also patches of blue. A "Bawra" distribution has just been made to graziers, of  $5\frac{1}{4}$  millions, and there still remains a residue in the "Bawra" wool pool for final distribution at a later stage, when realisations are completed. Several of the wheat pools are being cleaned up, with



## Australian Finance

money distributions to farmers. Furthermore, the latest Federal loan, while in one sense it will withdraw funds from the market, will present this mitigating feature: some of the bonds will be renewed, and to the extent that the Government has to redeem in cash, that cash will be released to Australian bondholders, and will thus revert to the market. The exchange difficulties, briefly described earlier in this article, should gradually clear away owing to the steady stream of imports from abroad which reduce bank balances in London and add to their resources in Australia; but this desirable correction pre-supposes that Australian Governments will not nullify the imports with fresh heavy borrowings in London. Banks in Australia have been charged with maintaining too wide a margin between their buying and selling rates, roughly 30s. per cent., and it is to be hoped that this feature may be modified in the early future. Our two greatest export commodities are selling well—wheat at fair prices and wool at prices quite unprecedented in our wool annals. Australia stands supreme in respect of good merino wool, while the present fine range of prices (with cotton in short supply) seems reasonably assured. The 1923-24 clip is likely to yield some 45 to 50 millions of money. Wool is to-day the sheet anchor of Australian prosperity. Finally, the drought, recently overshadowing New South Wales and Queensland, seems at last to be passing away.

It will be seen then that there are several compensating features. The difficulties, to which reference has been made, are to a very large extent the aftermath of the war. Further, we are realising more and more that no nation works within a water-tight compartment; and Australia must regard with grave concern the economic disorganisation and distraction of Europe. But notwithstanding all the difficulties, there is no reason for pessimism. Australia has emerged triumphantly from many periods of stress in the past, and with reasonable production and economy, both public and private, there is no ground to suppose that

## Australia

she will not emerge successfully from the troubles of to-day.\*

### III. AUSTRALIAN OPINION ON THE BRITISH LABOUR GOVERNMENT

BROADLY speaking, political opinion in Australia falls into three sections—the definitely Labour section, the definitely anti-Labour section, and a middle floating mass which changes its political alignment from time to time and is, on the whole, eclectic and critical. The two former sections become vocal in the party Press, but, owing to Australia's lack of detached critical journals, the third section has no regular literary organs of expression, and its views must be collected from occasional letters and articles in the Press, from reported speeches, and from conversation.

The anti-Labour Press of the Australian capitals reacted to the cabled accounts of British Labour's advent to power with criticism that ranged from a gentle monitory note of disappointment to a high shriek of anger. The Sydney and Brisbane papers were much more lugubrious and intemperate than were those of Melbourne and Adelaide. Thus, on January 23, 1924, the Sydney *Telegraph* complains that "to put England under the rule of a scratch Soviet Government, with Europe on the hair trigger, suggests the recklessness of lost men," while the Melbourne *Argus* merely voices its fears of Labour's unfamiliarity with administration in general and with the Exchequer in particular. On the same day the Sydney *Herald* bemoans

\* Since this article was drafted, the "Notes Issue Board," which has the statutory duty of regulating the issues of notes, has made the following announcement: To assist the demand for increased currency, especially to complete the wool export season, the Notes Issue Board has declared its intention to hand to the banks a sum of about £4,200,000 in notes. This sum represents an obligation of the Federal Government to the banks—claimable by the latter at any time—and the Notes Issue Board has now discharged that obligation.

## Opinion on the British Labour Government

that "to no one with a sense of pride in British political history and traditions could a plunging of the country into the depths of the socialistic morass be regarded lightly," while the *Adelaide Register* bluntly says that "the prophecy of Mr. Churchill—that the enthronement of Labour would be a national misfortune, comparable to a defeat in war—is not in the least likely to be realised."

Perhaps the milder tone of the Press in the Southern capitals reflects the fact that the fight with Labour for the State Legislature has never been so exacerbated there as it has been in Sydney and Brisbane. Subsequent comment has been more temperate. After all, it is said, the Government is only a stop gap, its moderation is ensured by the political situation and the personnel of its Cabinet, and it had better be given a fair trial. Britain is regarded as being due for a period of Labour Government, and it is hoped that this dose may be a prophylactic against future revolutionary infection. Also there is a feeling that the baby is too young to be smacked, whatever may be thought of its accoucheurs. Mr. Thomas's remarks about the Empire have been generally approved, though there were doubts at first as to the outcome of Mr. MacDonald's gestures to France and Russia.

The Labour Press also swells a somewhat confused chorus. For the most part it is frankly jubilant, running to cartoons depicting a young Russian moujik, with a high forehead and top boots, shaking hands with John Bull, while a moustached figure, labelled Ramsay MacDonald, smilingly presides at the introduction, and an old lady, labelled "Tory Press," faints in the background. But here also there is a very general recognition that Labour is only governing "by permission," and that no radical advances can be expected from it. The more outspoken Labour papers, however, sharply criticise Mr. Thomas for his utterances about the Empire, calling him "an apologetic revolutionary." And there is a quite definite opinion that Mr. MacDonald is in power because the British capitalists

## Australia

wanted a reopening of trade with Russia, and they knew that a Labour Government was the quickest means to that end.

As to the middle floating mass of opinion which would not label itself Labour nor anti-Labour, it may be said that it is, on the whole, favourable to the new British Government. It is interested to see what Labour will make of a European situation which has puzzled the older parties. It is attracted by certain aspects of Labour's programme. And it would like to see Labour get a sporting run for its money. There is, moreover, a general feeling that the two older parties in Britain should come together to form a united party in opposition to Labour, although it is recognised that this would entail a movement of the left wing Liberals into the Labour fold. It is curious to note that the tariff question, which was the main issue between the historic English parties at the last election, was exactly the dividing line between the old parties opposed to Labour in Australia. Beginning as a third party, both in State and Commonwealth, Australian Labour has gradually passed into the position of official Opposition, has fused its opponents into a single party, and then fought that party for office. In 1904 our first Federal Parliament Ministry was in a strikingly similar position to the present British Government. Labour had 24 supporters, the Protectionists 27, and the Free Traders 24 in a House of 75. The Protectionist Government was displaced, and Labour took office by the grace of the Free Traders. Like Mr. MacDonald, Mr. Watson went outside the Labour party in the formation of his Ministry. This Labour administration lasted four months, and Labour did not again become the Government until it had, by its opposition, succeeded in fusing the Free Traders and Protectionists into one party. Since then, generally, the political parties have been Labour and anti-Labour, which are the real political forces in this country, although the present differences between the Nationalists and the Country parties seem to indicate that

## Opinion on the British Labour Government

Australia will experience for a while a period of three party politics. It is, therefore, not unnatural for Australians to wonder how long it will be before what seem to them to be the two real forces in British political life will emerge—on the one hand, a party aiming at a new method of international control and an altered distribution of wealth and power, and on the other, a party defending with considerable strength and intellect the system which its supporters know and desire.

Australian opinion on Labour's attitude to foreign policy is not generally well informed, mainly because Australians have had little experience of the political difficulties of this aspect of government. Labour in Australia has never had to face the question of foreign policy. Nor, for that matter, has any Australian party really faced it. The tentative excursions of Mr. Hughes into that field were not the outcome of a considered party policy but rather the individual reactions of a patriotic, though autocratic, politician. The Federal Labour leader, Mr. Charlton, attempted to define his party's attitude to Imperialism in August last. He blessed the idea of disarmament, favoured the development of aircraft and submarines for Australia's defence, was contemptuous about the proposal to have an Australian Minister for Foreign Affairs in London, opposed the raising of forces for service outside the Commonwealth, and condemned any participation in the suggested Singapore base. This is not very helpful. The fact is that Australian Labour has never had to handle foreign affairs, and the word "Imperialism" to it suggests "dollar diplomacy," economic expansion to suit the capitalist contractors, "red-rubber," and the like.

Press criticism has been confined to the British Government's overtures to France and Russia and to the question of the Singapore base. Very general approval has been expressed of the tone and manner of the opening negotiations with France and Russia. With regard to the Singapore base, the majority of opinion in Australia, certainly

## Australia

the majority of Press opinion, is plainly at variance with the proposal to drop the Singapore scheme. This opinion is based on the view that the resultant naval isolation of Australia and New Zealand would constitute a menace to these countries. It is held that it is better to bargain for conciliation of possible enemies while the Imperial fleet is at its highest pitch of mobility and effectiveness, than to face them with the reduced naval strength which the abandonment of the Singapore scheme will entail. On the other hand, the Labour Press and Labour opinion generally take the view, expressed by its Federal leader, Mr. Charlton, that the time has come to distrust the old maxim that preparedness for war is the greatest surety for peace. They argue that a plea for disarmament is much more likely to be convincing if it is accompanied with a tangible evidence of sincerity of purpose, such as is furnished by Mr. MacDonald's proposed action in regard to Singapore.

Australia.

April 1, 1924.

## SOUTH AFRICA

### I. THE DISSOLUTION

THE dissolution of the House of Assembly came with dramatic suddenness. There had not been wanting for some time critics and advisers of the Prime Minister who had urged an appeal to the country before the expiry of the term for which the House was elected. They argued that it was good tactics to let the Opposition have an opportunity of making good their criticisms on the Government by taking responsibility—if the electors should so decide—for carrying on the Government of the country while it was still struggling with its difficulties and depression rather than wait till the tide had begun to turn.

These criticisms and arguments, however, were understood as having been dismissed (if they were ever considered) by General Smuts. No pronouncement was made by him, but it was generally understood and stated by those in the counsels of the South African Party that the election would not take place till the latter part of 1925 at the earliest.

To explain such a sudden departure from what was regarded as a generally accepted policy it may be desirable to look at the strength of the Government party in the House of Assembly. After the general election of 1921 the members of the House of Assembly were divided as follows :—

South African Party	..	79	Labour	..	..	..	9
Nationalists	..	..	Independents	..	..	..	1



## South Africa

This gave the Government a clear majority over all parties of 24. As a result of applications to the Courts, however, alleging informalities in the conduct of the election, two seats which had returned South African Party members were awarded by the Court to their opponents, in one case a Nationalist and in the other a Labour man. This brought the Government majority down to 20 or, if we deduct the Speaker and the Chairman of Committees, to 18. The present position of parties in the House is :—

South African Party	..	72	Labour	..	..	..	13
Nationalists	..	..	Independents	..	..	..	2

Which, again allowing for the Speaker and the Chairman of Committees, leaves the Government with a majority of 8.

A majority of 8 over all parties must be regarded in these days as quite satisfactory from a practical point of view and, as a matter of fact, it is only on rare occasions that the Government majority in actual divisions has not been well above that figure. The decision to dissolve, therefore, does not rest on any want of ability to carry on the Government business. It must, in our opinion, be sought rather in the morale of the party and the general condition of the country.

The party which supports a Government through a long period of unpopular taxation and retrenchment is exposed to very strong disintegrating forces. The Ministers have a share in framing the decisions. They are face to face with the conditions which seem to them to call for the particular action taken. The private member, however, who sits behind them is in a different position. Even when he has been consulted beforehand, which is not always possible, the ordinary member who does not take a special interest or keep himself specially well informed on public affairs finds it very irksome to have to face disgruntled constituents and explain why he voted for an unpopular measure, instead of openly voicing their objec-

## The Dissolution

tions to it. He is held up to popular attack as having been driven or muzzled by dread of the party whip. A similar state of things exists as regards the party supporters in the constituencies in relation to the adherents of the Opposition parties or to the unattached voter who is always prominent on these occasions as a critic of Governments. A long period of depression and financial difficulty with the usual accompaniments of taxation and retrenchment puts a severe strain on the loyalty of the Government's supporters whether inside or outside Parliament. This strain is, of course, accentuated by a gradual diminution in the Government majority through losses at by-elections. Now the Government party has certainly been unfortunate in its by-elections. There have been no less than twelve by-elections in seats held by the Government party and of these it has lost six. Of the six which it held, four were seats where a Government defeat was almost unthinkable. The last contest was at Wakkerstroom, vacant by the unexpected death of one of the most promising younger members of the party. The Administrator of the Transvaal Province, a prominent farmer in the constituency, resigned his office in order to contest the seat for the Government party. The election thus came to be invested in the public estimation with all the appearance of a set battle between the Government party and the Opposition parties now acting in close co-operation together in terms of the agreement, popularly known as the Pact, by which they have agreed to combine forces at all elections against the Government. The result was a serious defeat to the Government candidate. It was announced on Saturday, April 5, and immediately on meeting the House on Monday, the Prime Minister announced the decision of the Government to advise a dissolution.

The swiftness of the counterstroke took the country, and above all the Government party, by surprise. The first instinct of the old hands was to think of all the disadvantages under which the battle would be fought.

## South Africa

But there seems to be no doubt that this has been succeeded by the elation which the bold move of a master mind inspires in his followers. The party is appealing to the electors throughout the Union to turn their minds away from various grievances and discontents and to consider seriously whether they really desire to displace General Smuts from office and place the Government in the hands of the Nationalists with or without the co-operation of their temporary and somewhat ill-assorted allies of the Labour party.

The combined Opposition parties are entering the contest with the utmost vigour and confidence. They rely on the effect of the bad times through which the country has passed and the discontent which such times engender, and especially on the bitter feeling aroused against the Government by the suppression of the revolt on the Witwatersrand, and the depression which resulted from it, not only among the miners who suffered loss of wages or employment, but among the commercial community. They count also on the fact that the present Government party has held office since Union, as justifying them in appealing to the natural desire of the democratic voter for a change. The contest will be a strenuous and probably a bitter one. It would be rash at this stage to forecast the event. But if the South African Party returns with a position not weaker than that which it is leaving the result will be a great tribute to the personality and generalship of General Smuts.

## II. THE FINANCIAL POSITION

**A**FTER the announcement by the Government of its intention to advise a dissolution it became necessary, as the estimates for the year have not been passed, to take a vote on account so as to enable the services to be carried on till the new House of Assembly can be summoned. In

## The Financial Position

introducing the necessary Appropriation Bills the Minister of Finance and the Minister of Railways made statements of great interest as to the financial position of the country. Their speeches were, and were doubtless intended to be, summaries of the Budget speeches which they would have made to the House a few days later but for the decision to dissolve.

The statement of the Finance Minister shows a marked improvement in revenue over the estimate, and gives definite indication of recovery from the depression of the last three years. The Budget for the year ended March 31 last provided for a small deficit which the Minister expected to be able to cover by reduction of expenditure during the year. That result, however, was only attained after taking to Revenue account £520,000 from the proceeds of certain mining leases which by law are appropriated to loan funds. The actual figures for the year, after providing by additional estimates for an unexpected expenditure of £240,000 to combat an unprecedented invasion of locusts, show a surplus of £200,000, which will, of course, be used to reduce *pro tanto* the amount diverted from the loan fund. This satisfactory result is due in part to the reduction of administrative expenditure which has been energetically carried out, but also to a marked improvement in the Revenue collections, more especially the Customs receipts. For the current financial year the Minister estimates that, on the basis of present expenditure and without any additional taxation or any diversion of loan fund receipts, the Budget will balance.

The statement as to the financial position of the Railway Administration was even more satisfactory. Last year's Budget estimated for a deficit in the working of the railways and harbours which, when added to the accumulated deficits of the past three years, and after the appropriation of £2,000,000 over-provision for depreciation, made up a total of £2,200,000, which the Government had decided to make good out of future revenues. The actual results,

## South Africa

however, for the year ended March 31 last show a surplus, after making all provision for capital charges and renewals, of £1,380,000. This will reduce the accumulated deficits above mentioned to something over £800,000. Increased traffic—particularly in coal and general goods—is the main cause of this improved position, but a reduction in working expenditure due to a policy of strict and watchful economy, which the present Minister has carried out since he took office, has also contributed its share. During the year reductions in rates and charges were effected estimated to cost over £200,000, and further reductions estimated to cost £500,000 will take effect during the current year. These reductions on a total revenue of £20,000,000 will leave the general level of rates and fares from 30 to 40 per cent. above pre-war level.

The main interest of both these statements lies in the gratifying evidence which they afford of a general recovery in trade and production throughout the country. The Government which will carry on after the election, whatever its political complexion may be, will have to deal with a financial position much less difficult and embarrassing than that which faced the present Government after the election of 1921.

### III. UNION AND PROVINCES

THIS topic promises to become a permanent feature of contributions to THE ROUND TABLE from South Africa. What we may fairly call the provincial problem is now a standing dish on our political table much as Irish Home Rule was for many years on the table at Westminster. Recent events may prove to have contributed to the solution of the problem more than appears at the moment. However that may be, its condition now is one of bewildering confusion. That very fact is itself a ground of hope. One learns from experience of South African life and politics

## Union and Provinces

that the more desperate a situation appears, the nearer it is to solution. Common sense triumphs over party passion rather more tardily with us than it usually does elsewhere and we hang our game long before we cook it.

Since the writing of the last instalment of the weary story which appeared in *THE ROUND TABLE* for March, three events of capital importance have taken place, all tending both to deepen the confusion and to render the need for action more urgent :—

1. A conference was held in January between the Union Government and the provincial Executives on the recommendations of the Provincial Finances Commission.\* No report of this conference has been issued, but, from statements made in Parliament, it is clear that the Union Government offered as a basis for the reconstruction of financial relations the whole scheme contained in the Commission's report and in the report of the Education Administration Commission which supplemented it.† The representatives of the provinces were unable to come to an agreement with the Union Government and the negotiations broke down.

2. A Financial Relations Bill was laid before Parliament early in March, when the Minister of Finance explained the circumstances which had forced the Government to abandon the attempt to give general effect to the recommendations of the Provincial Finances Commission. Instead of any such attempt the Government confined its proposals to :—

(a) Provision for the finding of provincial deficits and for liquidating them within a specified time.

(b) Provision for the institution of a uniform scale of salaries for teachers throughout the Union, the one point, apparently, upon which the conference of January had been able to agree.

The basis of general subsidy to the provinces would thus

\* *THE ROUND TABLE*, No. 54, March, 1924, p. 409.

† *THE ROUND TABLE*, No. 54, March, 1924, p. 407.

## South Africa

continue to be as determined in the Financial Relations Act of 1922—i.e., £ for £ on the expenditure of the previous year *plus* 3 per cent. for development.

3. On Monday, April 7, the Prime Minister announced the decision of the Cabinet to dissolve Parliament. Though the immediate occasion was the defeat of the Government candidate at the Wakkerstroom election, it is generally realised that the decision was strongly influenced by the Government's inability, in its present situation, to deal effectively with provincial finance, and by the circumstances which attended the passage of the emasculated Financial Relations Bill through Parliament.

These are the decisive events which have helped to bring about the present situation. A further contributory factor has been the desperate financial plight of the Cape Province in particular and the intricate party machinations which have been going on in Provincial Council circles in consequence.

The provincial question must necessarily figure prominently in the coming electoral campaign and it is highly probable that the fiercest fights will be those that take place on that particular battle-ground. For not only is thorough-going financial reconstruction impossible until a real decision has been made; administration must suffer too, especially the administration of education. Urgent reforms and developments are held in abeyance until the provincial authorities know what their position is to be, and provincial taxpayers, on their part, are angry and resentful by reason of a rooted suspicion that imminent fresh taxation could be very largely obviated by reforms in financial and general administration.

From an electoral point of view the factors involved are so incalculable and uncertain that prognostication would be most hazardous. Moreover, neither party in the political conflict has yet shown its hand. Each is taking up the attitude, *Que messieurs les assassins commencent*, waiting for the other to declare itself. Some indication of



## Union and Provinces

attitude may be gathered from party policies in the Provincial Councils and from *obiter dicta* thrown off by party leaders in the debates in the Assembly on the Financial Relations Bill. But all these indications belong to a time when the Opposition was just the Opposition and was not standing before the country as an alternative Government.

Dissolution has brought wariness and each party, after full deliberation and weighing of chances, may come forward with a policy on provincial matters widely different from that which earlier hints might have indicated.

Thus the South African party has to surmount or circumvent the awkward stile of a land-tax, and the Nationalist-Labour combination must meet many of its own adherents who, to put it mildly, are but lukewarm advocates of the continuance of the present provincial system.

Amid so much uncertainty it seems wiser to confine this discussion to some statement of the elements of the problem and to an account of the more recent history of attempts to handle it. To do that may help observers in England and elsewhere who wish to follow the coming conflict. To attempt to do more might only mislead.

It may be well here to recapitulate the stages by which the present crisis has come upon us.

The year 1922 marks its beginning. An alarming shrinkage in Union revenue, an equally alarming increase in provincial expenditure, and the absence of any real limit to Union subsidy forced the Union Government in that year to take drastic action. From 1917 to 1921 a Financial Relations Act had been in operation which provided for Union subsidy on the basis of £ for £ on the expenditure of the province for the previous year *plus* 15 per cent. increase on educational expenditure and 5 per cent. on other expenditure. All expenditure above that amount ranked for subsidy to the extent of one-third.

This very liberal basis was modified in 1921. Five per

## South Africa

cent. increase was now recognised and that on educational expenditure only.

In 1922 the basis of subsidy for the succeeding year was reduced at one blow to 90 per cent. of the expenditure of the preceding year and for subsequent years the rate of increase ranking for subsidy was to be only 3 per cent. Moreover, the Acts of 1921 and 1922 definitely removed the mines and the natives from the sphere of provincial taxation.

The sudden reduction of subsidy coincided with a heavy fall in the revenues which the provinces themselves raised. The Transvaal met the crisis by a heavy increase in taxation. The Cape, after a vain attempt by the Administration to carry a Sales Tax, had to accept a special loan of £200,000 from the Union Government. That loan, together with others, now figures in the Cape Province deficit of over £1,500,000. The two smaller provinces weathered the storm partly by economies and partly by increased taxation, though both now carry deficits.

The situation that resulted was so difficult and the feeling against continued heavy expenditure by the provinces was so strong, especially in the Cape and the Transvaal, that the Government in September 1922 appointed a Commission to investigate the whole range of provincial finance. It is the report of that Commission (known as the "Baxter Commission") and the thwarting of the Government's intention to take action upon it, which are largely responsible for the political crisis which now faces us.

The main recommendations of the Baxter Commission were simple enough in form though they have raised the whole nest of political and economic hornets which live amid the intricacies of our finance.

1. The Union subsidy was to be based no longer on the £ for £ principle and was to have no precise relation to the previous year's expenditure. Instead, it was to be an amount calculated to cover the whole reasonable cost of

## Union and Provinces

primary and secondary education as carried on by the provinces.

The amount was to be determined by a *per caput* grant per pupil and this grant was calculated on the basis of the expenditure of the year 1921-22 upon such education in each province after allowing for : (a) certain economies which were held by the Commission to be possible and desirable ; (b) an amount representing revenue from secondary school fees which, the Commission held, should be payable.

2. As the total subsidy thus accruing would be considerably greater than the sum then being paid to the provinces and as, for other reasons, a reduction in provincial taxation was desirable, certain sources of taxation should be disallowed to the provinces altogether. Commercial licences, a poll-tax, taxes upon employers and upon natives were among these.

3. An extension was recommended of the system now in force to a limited degree in the Cape, whereby revenue is raised for provincial and local purposes by a tax upon real property, including land.

The scheme was complete after the Education Administration Commission had reported in detail upon the first head indicating within what limits education should be compulsory and subsidised as such, and upon what basis subsidies should be payable for education other than compulsory.

As was natural, criticism fastened mainly upon the proposal to limit the field of provincial taxation and upon the suggested adoption of a tax upon real property as one of the main sources of provincial revenue. In the Provincial Councils of the Transvaal and the Orange Free State the Union Government party was in a minority. It is still in a minority after the provincial elections of last year and is now in a minority in the Cape also. In Natal the usual party lines are not followed in the Provincial Council, but the peculiar position of Natal in regard to Union made that province even more hostile to any

## South Africa

reduction of taxing powers than the Nationalist controlled Transvaal and Free State. Indeed it would appear that Natal, more than any other province, was responsible for the breakdown of the conference last January.

The proposal to introduce a land-tax met with equally strong opposition, much of it not over-scrupulous. The opposition appears to be more a matter of habit and fashion than of principle. The idea has never been dispassionately considered and, as the Minister of Finance said in the Assembly, there is no immediate prospect of it being so considered. To the Boer there is something sacrosanct about land, especially if he has far more than he can use to good effect. He will pay £20 through Customs where he would not pay £5 by way of land-tax. Moreover, it is doubtful whether the Baxter Commission, in putting forward the proposal, had fully considered all its bearings, especially in the light of the extraordinary inequalities of wealth which exist as between the land of one district and that of another. The poor areas are usually those where the educational burden per child is heaviest. In any case the land-tax is one of the rocks on which the whole project has foundered.

What happened at the January conference between the Union Government and the provincial Executives was partially revealed by the Minister of Finance early in March when introducing to the Assembly a meagre and attenuated Financial Relations Bill.

Allowing for subsidy on the basis proposed by the Baxter Commission and for the abolition of certain forms of provincial taxation such as was advocated by that body, but without taking into account economies effected by the provinces or further supplementary grants from the Union, there would be provincial deficits for the year 1924-25 as follows :—

Cape .. ..	£478,000	Natal .. ..	£286,000
Transvaal .. ..	£849,000	Orange Free State	£173,000

## Union and Provinces

These deficits mean that the provinces would have to raise by taxation or economies the sum of £1,786,000. At the same time they would surrender powers of taxation equivalent to £1,515,000. The total deficits under the Commission Scheme would then be £708,000 more than they would be under the existing arrangement. This would be met partly by economies, partly by taxation within the powers left to the provinces, and partly by special grants which the Union Government would make, as recommended by the Commission, to tide over the period of transition to the new conditions.

So anxious was the Union Government to secure stability and control that there is no doubt of the readiness of its negotiators to make liberal concessions in this matter of special grants had the provincial representatives shown any disposition to come to terms. What actually happened is best told in the Minister's own words :—

After four days of discussion it was made clear to us that the feeling of the representatives of the provinces was not merely resistant to this change but actively hostile to the adoption of the report in some of its essential features, and that legislative action, if it were to be taken by the Government in that direction, would have to be imposed by Parliament in the teeth of the opposition of the united provinces and the mass of the people.

This may be an overstatement as the Minister was standing in a white sheet to ask forgiveness for the Government's surrender and he would naturally magnify the difficulties as much as he could. Yet it is substantially true.

Natal and the Land-Tax were the greatest obstacles. The capitation grant per school child offered to Natal was £14. The Transvaal was prepared to accept the offer of £16 7s. 6d. but Natal asserted that it could not manage with a penny less than it was already spending, £26 8s. Moreover, Natal has a large number of private schools and a subsidy calculated on capitation grant gave much less

## South Africa

for pupils in these schools than for those in State schools. The result of this is that Natal would be the only province deriving a smaller subsidy from the Union under the new system than under the old. Add to these facts the further consideration that Natal is the stronghold of federalism and would like to turn its Provincial Council into a State Parliament with responsible Ministers ; add also the further fact that the Government, with a majority that sank to five on the second reading vote of the Bill, depends upon the support of Natal members ; and the magnitude of the obstacle is apparent. In the circumstances one angry growl from the Natal lion was enough.

Of the proposed Land-Tax the Minister said :—

The country is not yet ripe for this particular method of taxation, and it would be perfectly futile for us to attempt to impose it as the feeling is to-day in this country. . . . I go further and say that, as things are to-day in South Africa, there is no Government, there is no alternative Government that would be elected by the people of this country that would pass such legislation.

This also is certainly true. The Opposition, quite naturally, made the most of the humiliations of the Government's position, though the Minister put the best face he could on a dismal necessity. Government supporters both in the Press and in the House did not conceal their chagrin and many went the length of urging that the Government should have chosen to stand or fall upon the whole policy of the Baxter Report. It is possible that the vociferousness of the Opposition in condemnation of that Report may not be proportionate to the degree of real disapproval with which it meets in the country and the election may yet test that point. However that may be, there can be no doubt that the abandonment of the project to which the Government felt driven shook its position badly and contributed directly to the present crisis.

Further damage was done, much of it unmerited, in the debates upon the timid little Bill that did actually show

## Union and Provinces

its face in the House. This Bill proposed to give effect to the one point of agreement that had been reached in the January conference and to provide for a uniform scale of salaries for teachers. The point of attack in the debate was the action of Government in not securing for teachers the same protection that had been previously accorded to civil servants. When the salaries of the latter were reduced recently the reduction was not to affect existing officers who remained in their then posts without promotion. The teachers asked for the same concession and the Public Services Commission recommended it in their report to Government. But Government held that such treatment for existing teachers was a matter to be considered and determined by their proper paymasters, the provinces, and in the circumstances the contention seemed reasonable. But the cry of "breach of faith" was raised by the teachers and taken up by the Opposition and used with damaging effect.

Unofficial information that the Cape Province Executive had already prepared a scheme for drastic cuts in teachers' salaries added to the excitement and deepened the atmosphere of mistrust and suspicion. The Minister of Finance had to clear himself in an embittered debate in the House of a charge of collusion with the Administrator of the Cape Province. The Bill passed, the last to be put through in the Parliament now dissolved. It was a thin and discordant swan-song and the Wakkerstroom election with the resulting dissolution has brought a more robust and welcome music.

This article is already too long to permit of an account of the manœuvres of the provincial authorities in the Cape to grapple with an accumulated deficit of £1,600,000. Moreover, that story is not yet finished. It can be told later and should be told, for it is out of the embarrassments of the Cape that the trouble has mainly sprung. The form in which the issue will appear in the coming election is not clear at the time of writing. That it will figure very



## South Africa

prominently cannot be doubted. It is possible that the South African party will content itself with an assertion of the principle that all *taxes* (as distinct from rates) should be raised by the Union Government alone and will leave the provincial system to function within that proviso. In any case Natal and the feeling of Natal will be a factor of importance. The Orange Free State, the other citadel of provincialism, can be discounted as it will go Nationalist in any case. It is significant that the Minister of Finance himself is surrendering his seat in Natal and proposes to contest a seat in the Cape. But all this is mere speculation and much more will be known in six weeks' time, when this is read, than now when it is being written.

One thing, however, seems certain. It is, that unless the Union Government, of whatever party complexion it may be, speedily asserts itself and re-establishes real financial control of the provinces the slide towards federalism must be so accelerated that it cannot again be checked. The provincial system was improvised in 1910 to provide an inclined plane down which Natal and the Orange Free State might slide peacefully into Union.

The inclined plane is now strongly tilted in the other direction, not only for these two provinces but for all four. It will need a strong man and a strong party to tilt it back again.

South Africa. April 17, 1924.

## NEW ZEALAND

### I. THE POLITICAL SITUATION

**I**F there is any truth in the dictum that that country is happy whose history is uneventful, then New Zealand during the last few months must be ranked as very happy indeed, since our social and political life has been singularly devoid of outstanding incident. In the first place, as one would naturally expect when Parliament is not in session, the period has been one of political quietude. The Prime Minister has only recently returned from London, and since his return has shown no disposition to raise party issues. The Liberal party, however, which numerically constitutes the slightly stronger wing of the Opposition, and therefore ranks as the official Opposition, has recently promulgated a political manifesto of the kind usual in the circumstances, declaring that the Government is intellectually and politically bankrupt and hopelessly unpopular, that the Liberal party has regained its former predominance in the hearts of a free and intelligent democracy, and that the time is now ripe for a vigorous forward movement which will inaugurate a political landslide of the first magnitude. Singularly little interest, however, was aroused by this pronouncement, which is regarded as mere stage thunder, and even a recent party speech by the leader of the Opposition, who, by the way, has just returned from a tour in the Far East and an inspection of the site of the Singapore Base, lacked sting and conviction.

## New Zealand

The Labour party, too, though naturally exhilarated by the success of British Labour at the recent elections, is perhaps less vociferous than might in the circumstances have been apprehended. There is reason to believe that this party inactivity is to a great extent actuated by tactical considerations. New Zealand political partisans, though seldom approaching the personal venom of their *confrères* in Australia, are normally more vocal than at present. There are, however, sound reasons why two at least of the parties should lie low in the meantime. As far as the Government is concerned, its position is both difficult and delicate. It is difficult because the Administration has, during the last few years, been called on to cope with a financial crisis of greater severity than the inhabitants of these fortunate islands have had to face for a generation. The task of financial retrenchment was particularly odious in so far as it necessarily involved a reduction of the incomes of large numbers of moderately paid civil servants, who, having been more or less deceived into expecting a fall in the cost of living that did not eventuate, naturally turned on the Government with the cry that a farmers' party was shifting on to the back of the small men the whole burden of retrenchment instead of putting it on the shoulders of the wealthy farmers and profiteers who could more easily bear it, and who ought in equity to undertake the lion's share. The average man is not capable of perceiving the long-run good of the community when his own immediate interests intervene, and this specious and misleading interpretation of the facts, which was to a certain extent exploited by both wings of the Opposition in a somewhat disingenuous manner, made the Government very unpopular in the country and did it serious damage in the last general election.

The Government indeed got practically no credit for the promptitude, decision and wisdom with which it handled a most difficult financial situation. To impose further direct taxation on incomes was in the circumstances calculated to

## The Political Situation

retard economic recovery, while to leave things as they were and indulge in a period of deficit finance would not only have impaired the financial credit of the country at home and abroad, but would have constituted a very dangerous precedent for the future. It is a sorrowful reflection, and one which doubtless accounts in large measure for the cynicism and opportunism of public men, that their most far-seeing and patriotic actions are likely to bring them into disrepute with the voters, while short-sighted *ad captandum* policies of an ultimately disastrous nature are prolific of electoral advantage. Truly a democracy gets the government it deserves, and is often fortunate enough to get better government than corresponds with its true merits.

As a result, therefore, of the financial stringency and its effect on electoral opinion, the Government emerged from the last general election with a slight minority of the members of the House as straight-out supporters; but the election also had the further disturbing effect of accentuating the three party system, which already existed, to a stage at which no single party could carry on the business of the country without help from outside the ranks of its pledged supporters. In the circumstances Mr. Massey, as leader of the largest single party in the House, continued in office, depending for a precarious majority on the votes of several Liberals whose election pledges did not commit them to oust the Government, and supported in various junctures by a greater or less majority of members according to the nature of the particular legislative proposals for the moment under consideration. On matters affecting foreign policy and imperial affairs generally, for instance, he is able to rely on consistent Liberal support. The leader of the Liberals indeed has frequently gone out of his way to emphasise the fact that there is no difference between the Reform and the Liberal parties on imperial and foreign issues, while on such questions as appeared to the Labour party to suit the party interest or harmonise with Labour ideals by savouring of nationalisation, such, for instance,

## New Zealand

as the Dairy Produce Export Control Bill, the Labour members voted with the Government.

It would seem indeed as if the Labour party does not desire or intend that the Government shall fall during the term of the existing Parliament, and this is essentially sound tactics in the circumstances. It is generally believed, and probably with justification, that a further appeal to the constituencies at the present time would substantially reproduce the existing state of parties, while some of the seats are held by such narrow majorities that their present incumbents are naturally reluctant to run the electoral gauntlet again any sooner than is necessary. A Government defeat at the present time, moreover, would result in the Governor-General sending for the leader of the official Opposition and commissioning him to form a Cabinet. The immediate effect would be to place in power the Liberal party, which has a long tradition of legislative and administrative achievement behind it, and which in an electoral battle would then enjoy the advantage and prestige attaching to the tenure of office. It may be argued that to confer this tactical advantage on the Liberals at the next election would be a blunder, whereas if the Government is left in office it will merely accumulate further unpopularity and be an easier victim when the time is ripe. It may be taken as reasonably certain that the existing Parliament will run its full course. Prophecy is uncertain in all things, and proverbially so in politics, but such is the general opinion. Few desire a premature general election.

The existence of the three party system is everywhere deplored, especially now that political developments of an analogous nature in Britain have focussed fresh attention on the matter. The three party system is clearly undesirable from every point of view. It is directly contrary to the traditions of Anglo-Saxon parliamentary development, it constitutes an additional inducement to personal bargaining and backstair arrangements, while it encourages temporising compromises and induces legislative and

## The Political Situation

administrative stagnation, more especially when the parties are anything like evenly balanced. Politicians of all shades of thought agree in deploring it, and all see a way out of the difficulty through the elimination of the superfluous party. They are unanimous, too, in the view that theirs is not the superfluous party. In the circumstances, however, the Liberal party is in the position of tactical disadvantage inevitably attending the supporter of the happy (or unhappy) mean. The average man does not like the happy mean. He has a preference for vivid contrasts, and likes his politicians either white or black. The psychological effects of the turmoils of the last decade, moreover, have accentuated this tendency by exasperating class differences, hardening and defining lines of cleavage, and predisposing the average citizen to extreme leanings towards one wing or the other. The parties of the centre are everywhere having a bad time.

In New Zealand it is considered in some quarters that it would be to the ultimate advantage of the country if the Liberal party in politics were to disappear by a process of coalition and amalgamation, its more radical elements fusing with the Labour party and diluting the present extreme Socialist pretensions of Labour, and its more conservative elements coalescing with the present Reform party, with the ultimate effect of evolving a moderate but progressive party and facilitating the passage of legislation of a constructive nature. A development such as this would without doubt restore the two party system, which experience has shown to be the most effective legislative and administrative machine, and at the same time restore sincerity to politics by providing a class division in politics corresponding to a real divergence of economic interests and social ideals. Whatever the pretence of the situation may be, the real issue is between those who stand for the existing social and economic organisation of society, modifiable admittedly from time to time, and those who seek to overturn it, either by a sudden and violent effort, or

## New Zealand

by gradual undermining, in favour of a Socialist reconstruction.

There is, however, a serious obstacle to this comforting and logical line of evolution in the Liberal party itself. It cannot see, and can scarcely be expected to see or admit, that its elimination would be any more to the advantage of the country than the disappearance of either of the other parties, and it regards with contemptuous impatience well-meant advice to commit political suicide in the interests of logical symmetry. Moreover, it is not yet proved that traditional Liberalism is a spent force in New Zealand. It emerged from the last election certainly no weaker, and perhaps somewhat stronger, than it was before. There is the further complication presented by the personal ambitions and prejudices of the party leaders. It remains therefore for the future to decide whether New Zealand will lead or participate in the return to a two party system of government. The issue is by no means clear, as social evolution does not necessarily follow lines of development predictable in advance. The Liberals, however, are faced under existing conditions with the difficulty of compromise and half measures; they cannot sustain a heroic pose on any major issue, their policy is essentially negative, and it is to the joint interest both of the Reform party, powerful in its traditions and possessing the prestige incidental to control of the Government, and of the rising Labour party, young and crude but full of vigour and potential strength, to drive it out of the political field. Party tactics lead to the inference that at least a tacit understanding to this effect between Reform and Labour exists at the present time, though of course such a nefarious *entente* is warmly repudiated by both the Prime Minister and the Labour leader.

Meantime the political position is unsatisfactory to all, and constitutes a menace to strong and capable government, Owing to its precarious majority, the Administration is subject to pin-pricking and intimidation from quarters



## The Political Situation

which a normally strong Cabinet could ignore or snub. while its legislative policy is necessarily feeble and restricted as far as possible to non-party issues of a relatively non-contentious character. Even minor statutory amendments to remove definite small abuses have been held up, in the present state of parties, through interested persons contriving to enlist the sympathy or support of individual politicians, while there have not been wanting instances of private members rising and threatening the Government to withdraw their support unless instant attention is given to their particular parochial grievance. The Government has allowed it to be generally understood that sooner than submit to dictation from private members it will precipitate an appeal to the country. The tradition of hanging on to office to the last gasp, however, is firmly implanted in New Zealand politicians, and there is no reason to suppose that the present Cabinet will prove an exception to this rule.

From another point of view New Zealand affords an example of political stability without parallel in the history of parliamentary institutions. Treating the National Government formed during the war as an episode in the history of the Reform party, as it clearly is, there has been only one change of party in the government of New Zealand since 1891, a period of thirty-three years. On January 24, 1891, the Liberals under Mr. Ballance assumed control, which, under a succession of leaders, they retained until the present Prime Minister, Mr. Massey, displaced the Mackenzie Government on July 10, 1912, and since then Mr. Massey has been continuously in office as Prime Minister. This stability has perhaps had the effect of accentuating a phase in the development of parliamentary government which has been noticed in many countries; a decline in the effective powers of Parliament as a body, and a growth in the power of the Cabinet in general and the Prime Minister in particular. It has been observed that with the passage of time Mr. Massey has approximated more

## New Zealand

and more closely to the position in the community once held by the late Mr. R. J. Seddon, who was known throughout the land by the kindly but significant nickname of "King Dick." Quite apart, moreover, from the personal prestige which grows up round a popular man who occupies the most influential position in the country over a long period of years, there are other factors operating in New Zealand to accentuate the powers of the Executive and the impotence of the rank and file. Important among these is the ever-increasing pre-occupation of Parliament with business and economic affairs. The nature of these activities has been particularised in previous issues of *THE ROUND TABLE*,\* and need not here be recapitulated in detail; but the effect of the policy has decidedly been to congest the parliamentary machine with a mass of detail which it simply cannot handle with efficiency, or even at all.

The problems of government (says a recent New Zealand writer) are becoming even more economic than they are political, are rapidly growing more complex, and seem to be outrunning our powers to deal with them along the traditional lines of representative institutions † . . . since economic problems have outgrown the administrative capacity of representative parliamentary institutions, we shall have, until some feasible system of decentralisation is introduced to chouse between government by Order-in-Council and virtually no government at all. These considerations explain the comparative impotence of Parliament in face of the Executive, the enormous growth of the personal powers of the head of the Cabinet, and the general discredit of parliamentary institutions.‡

\* See, e.g., *THE ROUND TABLE*, No. 36, September, 1919, pp. 822-830.

† Murphy: *Outlines of Economics*, p. 2-3.

‡ Ibid. p. 331.

# The Economic Situation

## II. THE ECONOMIC SITUATION

**T**HOUGH the general economic position is considered by our public men and financiers to show a considerable general improvement on conditions which prevailed up to about a year ago, there is, nevertheless, a certain feeling of caution and even uneasiness apparent, and a disposition to deprecate extravagant spending and the excessive importation of foreign commodities beyond what is really necessary. While, owing to sustained satisfactory prices for our staple products, the export figures have been well maintained, there has also been manifested the usual counterbalancing tendency to an inflation of the import figures, an almost inevitable concomitant in the Dominion of rising prosperity. After three decades of "easy money" public and private economy is almost a lost art in New Zealand.

Though the public, the politicians and the newspapers view the balance of commodity trade with complacency, small comfort can be extracted from the mere existence of a surplus of visible exports over visible imports, unless that surplus is of considerable magnitude. If New Zealand is to pay her way she must export sufficient not merely to pay for imports, but to liquidate accruing interest on such portions of her public and private liabilities as are held abroad. While it is not possible to evaluate these "invisible" items with precision, it is certain that in the aggregate they total several millions sterling per annum. The trade figures therefore cannot be regarded as satisfactory unless a balance at least sufficient to cover these unrecorded items is shown in the trade figures. Unless this result is attained we are obviously paying part of our accruing liabilities out of borrowed capital; in other words, borrowing to balance accounts.

## New Zealand

The trade figures for the twelve months ending January, 1924, are as below :

Exports	..	..	..	£49,768,872
Imports	..	..	..	£43,759,698*

The position is therefore not as satisfactory as it appears. While we cannot at the present time provide from our resources all the capital required for development purposes, we certainly should be in a position to pay for imported commodities and interest on debt out of current production.

Private and public extravagance is the bane of New Zealand finance. Let even a moderate period of prosperity be attained, of however transitory a nature, and it is forthwith reflected and dissipated in an orgy of spending shown immediately in the import statistics. The consumption of motor-cars is so great as to constitute that import our greatest single item of foreign purchase. While many of these vehicles are employed for business purposes, many are not. It does not follow because a man drives down to his office in a motor-car that it can legitimately be regarded as a productive asset. The newspapers, too, are filled with motor-car advertisements with the aim of inducing men, on salaries and moderate incomes generally, to purchase cars, though at the present time few salaried men with families are justified, having regard to the existing price level, in maintaining motors, and it is the same all through the piece. Enormous sums are wasted by all classes on racing, drink, amusements, clothing and so on, and valuable opportunities of strengthening the position of the country through increased capital accumulation are thus thrown away. It is not implied that in this respect New Zealand differs to any great extent from other countries at the present time, or that no savings are effected, but merely that much more could be done than is in fact attained. If the country is to carry its load of indebtedness with any

\* Official Abstract of Statistics for February, 1924.

## The Economic Situation

degree of comfort, present extravagance, both public and private, will have to be curtailed.

As far as public finance is concerned, the situation is not essentially different. There is reason to believe, from partially suppressed revelations that reach the public from time to time, that many of our local bodies, such as city councils, harbour boards, and even educational bodies, are extravagantly and wastefully administered, but no crusade for public economy finds much response in an uninterested and apathetic community, and without a vigilant public opinion economical administration cannot be secured. In addition to this source of waste, it is clear that the country is over-supplied with some forms of public capital, having regard to its real requirements, the density of the population, and the degree of development that has been attained and is probable in the near future. There is, first, the unsatisfactory situation of the railway system, largely a legacy from past political maladministration. Many of our railways in bygone days were built with an eye to political rather than to economic considerations, and the routes, frequently chosen to placate Members of Parliament rather than from their intrinsic suitability, are in some cases difficult and costly to operate, quite irrespective of the enormous original cost of construction. Often, too, they do not follow the natural traffic routes, while in addition they are frequently too close to the sea adequately to open up the territory they were intended to serve. Apart from this, many branch lines have never paid their way even in the least exacting sense of the term, there being an actual loss on operating expenses apart from a failure to make a *pro rata* contribution to interest and other overhead charges, and, finally, in recent years the competition of the motor lorry has partially put some of them out of business, while the motor-car has detrimentally affected the revenue of such lines as cater for the tourist traffic.

The railways at the present time are really a burden on the public finances of the country, as, for that matter, they

## New Zealand

are in many other countries. While in such a country as New Zealand, where one of the most imperative national requirements is the settlement of the land, the mere traffic returns of the railways are not the only consideration to be kept in view, there is a point beyond which the policy of losing on railway operation for development purposes does more harm than good. It is considered by many that this point has now been reached. With the development of motor traffic, too, every improvement in the highways of the country has the paradoxical result of reacting injuriously on the railway revenue and depreciating the value of the railway system. In these circumstances it seems clear that the prospects of further branch lines will be closely scrutinised before they are undertaken, while some, whose opinions are entitled to weight, have openly advocated the dismantling of certain of the branches which are now not returning even operating expenses. Though disinclined to any policy of so drastic a nature, the Government in recent times has grappled seriously with the railway situation, has put an end to the former evil and wasteful practice of dabbling in petty extensions all over the country, and is concentrating on the completion of such lines as are likely to show good returns. The Otira tunnel through the Southern Alps, an expensive and relatively superfluous luxury that could well have been postponed to more urgent works, has now been completed after many years of delay, and may be expected in the future to make at least some contribution towards its enormous cost.

Apart from the case of the railways, in the development of which the experience of other countries as well as of our own seems to show that much waste is inevitable, it is open to question whether some of our power schemes are not, in the present and probable future state of the country, of an over-ambitious character. The various hydro-electric systems now projected or in course of construction in different parts of the country are a case in point. Though the policy appears on the whole to be endorsed by public

## The Economic Situation

opinion, misgivings certainly suggest themselves. It is already clear that the final cost of these installations will in the majority of cases be considerably above the estimate. If therefore the power developed is to be supplied to consumers on a commercial basis—that is, at a price to cover all expenses, and this is the ostensible policy—consumers will not get cheap power, while if the power is supplied under true cost the installations will be a burden on and not an asset to the country. It is doubtful, moreover, whether so small a population either requires or can justifiably afford such a great development of electric power. The main industries of the Dominion are now, and are likely to remain, those connected with the growth and handling of our staple primary products. It does not seem probable that New Zealand manufactures, or, as they are usually called here, secondary industries, will ever reach the stage where they can compete effectively in outside markets with the similar products of countries of developed industrialism. Labour here is very costly in relation to its output, and we have neither the long technical tradition nor the native supplies of coal and iron essential for a country that aims at the development of manufacturing on a great scale. It is not easy, moreover, to see how a country which imports its machinery can ever manufacture on the scale or at a price that would make it a serious competitor in outside markets, and there is the further difficulty that we are isolated by great distance from the main concentrations of population, which would constitute the only markets capable, even if willing, of absorbing manufactured goods on a large scale. It does not seem justifiable therefore to incur enormous expense for power installations merely to provide the energy to run dairy factories, freezing works, and similar undertakings. Electric light installations, too, are luxuries which a small, sparsely populated country can hardly afford to instal in every remote village.

A further source of waste is found in the multiplication



## New Zealand

of minor ports. Every little seaside village aspires, not unnaturally, to become a large town. It next desires harbour facilities on a constantly larger scale to take more and larger ships. A harbour board is formed and a rating area assigned, and endless sums are often spent in the attempt to convert an unfavourable and unsuitable roadstead into a port, though excellent deep-water accommodation, and railways leading from it, may be found a comparatively short distance away. This not only prejudices the larger ports by arresting their development, but to some extent makes them more costly to operate by keeping their labour supplies and appliances less effectively utilised than would otherwise be the case, while the smaller ports themselves are in many cases a running drain on the resources of the country. There is a rigid limit to the number of harbour equipments that so small a country either requires or can afford, and while the weakness has been repeatedly pointed out by financial observers, the political interests involved are so strong that the process is difficult to arrest. The net result is that the port accommodation of the country, taken as a whole, is overdeveloped, partly idle and unnecessarily expensive.

Similar over-development has taken place in the frozen meat industry, in which it is certain that too many refrigerating plants already exist, and that the handling and freezing facilities are in excess of output requirements. Some plants indeed have closed down, many are languishing, and there has recently been some talk of an amalgamation of interests with a view to the elimination of superfluous plants and the attainment of economy in the operation of the industry. The waste, however, is there, though not on a very serious scale, and the industry is admittedly over-capitalised.

While the aggregate waste incurred in these various avenues of activity is probably not on a great scale, as public waste goes at the present day, and perhaps has been unavoidable in a new country developing rapidly on a planless

## The Economic Situation

and haphazard basis, yet in view of the serious burden of public and private debt which the country has to face, and the probability of a hardening of interest rates at which existing commitments may have to be renewed, there is a welcome disposition in New Zealand, at all events among the leaders of politics, industry, commerce and finance, to take stock of our national leakages and eliminate them as far as is practicable.

The process of deflation of land values, though by no means completed, has made notable steps during the past year, and there is good reason to believe that the matter will gradually readjust itself without further official intervention. The lifting of the moratorium on mortgage debts, which is due for the end of the present year, is viewed without serious anxiety. Some hardships of course have been unavoidable, and many complaints have been made in connection with the writing down of returned soldiers' holdings, a step which has been recognised as inevitable sooner or later from the time when the settlement policy was first introduced. On the whole, however, the country is in a healthier economic position than it has enjoyed for some years past. Sources of national waste have been, at all events, located and diagnosed, if not definitely eliminated, our political and financial leaders are insisting on the need for caution, and the banks can probably be depended upon to refuse assistance in the creation of a fresh mania of importation. Direct taxation has been lowered with beneficial effects on enterprise and industry, and a feeling of steady and justifiable confidence rather than of economic jingoism now prevails everywhere.

## New Zealand

### III. IMPERIAL PREFERENCE

OF the various topics discussed at the last Imperial Conference there is only one which is extensively canvassed in the Dominion at the present time, and that is the Imperial Preference issue. The newspapers have devoted considerable space, editorial and otherwise, to its discussion, but in generalities rather than in detail, and it would probably be correct to state that public opinion is vaguely in sympathy with the idea, but that neither the people nor their political leaders display much knowledge of or interest in the principles involved. They are inclined also to view the issue exclusively in the light of Dominion interests, and entirely to overlook the factors that must necessarily actuate the Mother Country in the determination of so serious a departure from her traditional fiscal policy.

There seems little doubt that a policy of Imperial Preference, effectively put into operation, would be of benefit to our primary producers by giving them a firmer grasp on their main export market in Britain. It is now being realised here that the vent for our primary products is very narrow, that alternative markets would not be easy to create, and that our hold on the British market is not as firm as we have hitherto assumed it to be, since other parts of the world, South America for instance, are increasing their competition to a menacing extent. In these circumstances it is but natural that any prospect of differential treatment for our staples in the home market would be acceptable to New Zealand producers. What the New Zealand producer and politician omit to do, however, is to consider the problem from the point of view of their kinsmen at home.

We should not overlook the fact that the recent emphatic verdict registered against Protection in Britain is based on

## Imperial Preference

economic grounds of the most solid description, and upon conditions which it is folly to ignore. The only preference that would be effective, or would meet our requirements, would be one which imposed differential duties in Britain on staple raw materials when supplied from a foreign source, with the inevitable result of raising the price of such foreign products, and of our own as well, in the British market. Now these staple products consist of food stuffs and the raw materials of manufacture, so that the tendency of Imperial Preference would, in the absence of factors invisible at the present time, be to raise wages and manufacturing costs to the British manufacturer, and adversely affect the competing power of British industry in the markets of the world.

Britain relies not merely for industrial and commercial supremacy, but for her very existence, on her power to procure food in exchange for the sale of her manufactures abroad, and this essential dependence does not appear to have been modified in any material degree by the post-war industrial and commercial confusion into which the world has fallen. It is difficult to see what compensating advantage we can offer the Mother Country to justify her in taking the risk involved in a change of fiscal policy. It is true that we concede British producers a preference in our markets—particulars of which were given in the last New Zealand article,\* but it is also true that by a policy of protection to local industries we render this preference to a great extent ineffective. It is difficult to fathom the mentality of the Prime Minister and those New Zealanders who agree with him on this question in expecting Britain to raise her costs of production in order to increase colonial profits from British purchases of raw materials, while at the same moment we are consistently striving by a high tariff system to exclude the British manufacturer from our own markets. It is difficult, too, to see how a policy of Imperial Preference can be reconciled at bottom with a

\* THE ROUND TABLE, No. 54, March 1924, p. 423.

## New Zealand

policy of protection to local industry, since to the extent that the latter policy is successful the preference is rendered nugatory.

Though this line of thought finds but little expression in the editorial columns of our newspapers and the speeches of politicians, it is well understood by the leaders of commerce in the country, and in particular was given prominence in the presidential address delivered at the annual meeting of the Auckland Chamber of Commerce last month. There seems no need to labour the point, or to do more than mention the substantial preference Britain has always conceded the Dominions in the form of cheap loans and cheap naval defence. Imperial unity will never be secured as the result of fiscal bargaining among competitive hucksters, but, like all the higher things of life, must be based on a firmer and nobler foundation than a scramble for tariff privileges.

New Zealand,  
April 1, 1924.

## EDITOR'S NOTE

### THE IRISH BOUNDARY QUESTION

EASTER week brought us, in Great Britain, a reminder that there is still something which we are called upon to do under the Irish Treaty. Immediately after the breakdown of the Conference between Sir James Craig and President Cosgrave, the latter required us to set up the Boundary Commission. It is so long since the Treaty was signed and so much has happened since, that it may be of use to set out a few of the main facts. Our own obligation is defined by two British Acts of Parliament, the Irish Free State (Agreement) Act, 1922, which gave the Treaty the force of law, and the Irish Free State Constitution Act, 1922, by which it was ratified.

The relevant clauses of the Treaty are set out below. Our obligation to carry it out has been recognised by this Government as well as by its predecessors.

The present boundary, which is shown on the appended map, was established when Ireland was for the first time divided by the Government of Ireland Act, 1920, into two political units. To understand the line the boundary follows it is, however, necessary to go a little further back. The idea of partition was mooted during the debates over the 1912 Home Rule Bill. In June, 1912, Mr. Agar Robartes moved that four counties should be excluded. In January, 1913, Sir Edward Carson proposed that the province of Ulster should be left out. Both these motions were negatived. Early in 1914, however, after the arming of Ulster, partition was again proposed, this time by the

## Editor's Note

British Prime Minister. The proposal was now county option. Mr. Asquith would have let any Ulster county vote itself out for six years. This proposal was rejected by Ulster. Then came the great war. It found us on the verge of civil war, but in face of the external danger the operation of the Home Rule Act was, as a compromise, suspended until a year after the end of the war, and a pledge given that coercion would not be used against Ulster. Amending legislation to deal with her was to be passed. Next came the 1916 rebellion, and after it, feeling it impossible to wait for peace, the Government deputed Mr. Lloyd George to negotiate with the Irish leaders a settlement that would permit of Home Rule coming in at once. The partition scheme now took a new form. There was still no question of Home Rule for the area to be excluded. But there was a change in the area suggested. This time it was neither the province, which consists of nine counties, nor county option, but something between the two, *i.e.*, six counties, the same six as now constitute Northern Ireland. In four of these counties, Down, Antrim, Derry and Armagh, there was a marked majority of Protestants. In the whole six-county area the Protestant majority was considerably larger than in the province as a whole ; but in two of the six counties, Fermanagh and Tyrone, though the religions were more evenly balanced, according to the 1911 census, the Catholics were more numerous than the Protestants.\* The pro-

* Area.	Total Population.	Catholics.		Non- Catholics.		Majority.	
		per cent.		per cent.		Catholic.	Non- Catholic.
Ulster .. .. .	1,581,696	690,816	(43·67)	890,880	(56·33)	—	200,064
Six Counties (including Boroughs of Northern Ireland) .. ..	1,250,531	430,161	(34·40)	820,370	(65·60)	—	390,209
Antrim .. ..	193,864	39,751	(20·50)	154,113	(79·50)	—	114,362
Armagh .. ..	120,291	54,526	(45·33)	65,765	(54·67)	—	11,239
Belfast County Borough	386,947	93,243	(24·10)	293,704	(75·90)	—	200,461
Derry .. ..	99,845	41,478	(41·54)	58,367	(58·46)	—	16,889
Derry County Borough	40,780	22,923	(56·21)	17,857	(43·79)	5,066	—
Down .. ..	204,303	64,485	(31·56)	139,818	(68·44)	—	75,333
Fermanagh .. ..	61,836	34,740	(56·18)	27,096	(43·82)	7,644	—
Tyrone .. ..	142,665	79,015	(55·39)	63,650	(44·61)	15,365	—



## The Irish Boundary Question

posal was accepted on June 12, 1916, by the Ulster Unionist Council, in spite of protests from Cavan, Monaghan and Donegal, where Unionists had also signed the Ulster Covenant. The proposal, however, came to nothing at this time, partly owing to a misunderstanding—Mr. Redmond thinking that Ulster was bound to accept the decision of the Imperial Conference after the war, and Sir Edward Carson that the six counties could stay out permanently—and partly owing to dissensions in the British Cabinet, to which reference has already been made in these pages.\* In 1917, just after America entered the war, the offer to leave out the six counties was again repeated by Mr. Lloyd George, who was now Prime Minister. The arrangement was to be reconsidered in five years, and Home Rule to come in at once for the rest of Ireland. As an alternative, an Irish Convention was suggested. The Convention was chosen by Mr. Redmond, but after eight months' discussion it, too, came to nothing, and the pre-occupations of the war, and after it of the peace, put the Irish question out of people's minds for the next two or three years, though the sands were fast running out.

The next step in the history of the Boundary question was the Government of Ireland Act of 1920, which became law in the dark period of the Irish troubles. The influence of Sinn Féin had completely superseded that of the old constitutional Nationalists. Partition now became a legal reality. Ireland was divided into two parts and a limited measure of Home Rule conferred upon each of them. In its first section the new Act provided that Northern Ireland should consist of "the Parliamentary counties of Antrim, Armagh, Down, Fermanagh, Londonderry and Tyrone, and the Parliamentary boroughs of Belfast and Londonderry." Southern Ireland was to include "so much of Ireland as is not comprised within the said Parliamentary counties and boroughs." The reason for this measure was the rooted objection of

\* ROUND TABLE, No. 43, June, 1921, p. 481.

## Editor's Note

the Protestant majority in the North East to enter a Home Rule system with the rest of Ireland in which the population was predominantly Catholic. Its machinery contemplated the possibility of union by agreement. Northern Ireland accepted the new Act—regretfully, according to its spokesmen, who would, they said, have preferred to remain under Westminster—and has worked it for the last three years. Southern Ireland would have none of it, and the struggle with Sinn Fein continued until the truce in 1921, which led to the signing by the representatives of the British Government and of Sinn Fein of the Irish Treaty, under which the Irish Free State was brought into being.

Northern Ireland was not represented at the Conference which arranged the Treaty. Sir James Craig accepted the original invitation, but then Mr. de Valera ignored his official position, and he declined to meet him “until he recognises that Northern Ireland will not submit to any authority other than H.M. the King and the Parliament of the United Kingdom, and admits the sanctity of the existing powers and privileges of the Parliament and Government of Northern Ireland.” Later on when he was again invited, he was ready to meet Mr. Lloyd George informally, but not to enter into Conference while there was any question of a Parliament for All Ireland.\*

It is unnecessary to set out the whole Treaty. Clauses 11 and 12 are enough for our purpose. They read as follows:—

11. Until the expiration of one month from the passing of the Act of Parliament for the ratification of this instrument, the powers of the Parliament and the Government of the Irish Free State shall not be exercisable as respects Northern Ireland, and the provisions of the Government of Ireland Act, 1920, shall, so far as they relate to Northern Ireland, remain of full force and effect, and no election

\* For the Government's invitations and the line taken by Sir James Craig, see *ROUND TABLE*, No. 44, pp. 767, 768, 783 to 792, and *White Paper*, Cmd. 1561.

## The Irish Boundary Question

shall be held for the return of members to serve in the Parliament of the Irish Free State for constituencies in Northern Ireland, unless a resolution is passed by both Houses of the Parliament of Northern Ireland in favour of the holding of such elections before the end of the said month.

12. If, before the expiration of the said month, an address is presented to His Majesty by both Houses of the Parliament of Northern Ireland to that effect, the powers of the Parliament and Government of the Irish Free State shall no longer extend to Northern Ireland, and the provisions of the Government of Ireland Act, 1920 (including those relating to the Council of Ireland), shall, so far as they relate to Northern Ireland, continue to be of full force and effect, and this instrument shall have effect subject to the necessary modifications.

Provided that if such an address is so presented, a Commission consisting of three persons, one to be appointed by the Government of the Irish Free State, one to be appointed by the Government of Northern Ireland and one who shall be Chairman to be appointed by the British Government, shall determine in accordance with the wishes of the inhabitants, so far as may be compatible with economic and geographic conditions, the boundaries between Northern Ireland and the rest of Ireland, and for the purposes of the Government of Ireland Act, 1920, and of this instrument the boundary of Northern Ireland shall be such as may be determined by such Commission.

The address to the King permitted under Clause 12 was presented, with the result that Northern Ireland, as the Treaty prescribes, remains outside the Free State and continues, as Clause 12 makes clear, to function under the 1920 Act, the provisions of which are declared by the Treaty to be still, in so far as they relate to it, of full force and effect.

So much for the history of the question. As a result of the Republican rebellion, the Imperial Conference, the general elections and changes of Government in England, and finally of Sir James Craig's illness which made it necessary to put off the last attempt to settle the matter out of court, it has been long in coming to a head. It remains to say a word about the attitude of the parties. Briefly, there are hopes in the Free State, based on population statistics and arguments which are set out in a hand-

## Editor's Note

book published by its Government, of getting Fermanagh and Tyrone, or the greater part of those counties, Derry City and Newry, as well as slices out of other border counties. What the Ulster case would be under the Treaty can only be conjectured. According to Lord Birkenhead, the undertaking was to set up a Commission, the purpose of which was not to reallocate territory, but only to adjust inconvenient boundaries. A writer in *The Times* has recently reminded us that the Government of Ireland Act, 1920, provides that Northern Ireland shall consist of the six counties and that the provisions of this Act are expressly kept alive, in so far as Northern Ireland is concerned, by the words of the Treaty, which itself is only to have effect "subject to the necessary modifications." A claim which amounted to dismembering the existing Northern State and setting up a new one with a new boundary would, in his opinion, be extravagant as a refusal would be on the other side to give up "an inch of sacred Northern territory." But these are other people's arguments. Ulster herself has never got as far as attempting to state a case for the Boundary Commission. On the contrary, she refuses to have any part in it. The Commission was agreed to, she says, contrary to the promises of the British Government, without her consent and over her head. From her standpoint the 1920 Act was a final settlement. On its side, the Free State says that Ulster is taking advantage of part of the Treaty and refusing to recognise the other part. It turns to us and points to the undertaking Great Britain has given. For if, it says, Ulster is still part of Great Britain, it is the duty of the British Government to see that her word is honoured and her law obeyed. The Free State Government remind us that they themselves have fought their own fellow-countrymen in order to carry out their part of the Treaty.

